learn helpful lessons from the experiences of others may be compromised. In the realm of ethical decision making, the leader who thinks she has mastered everything important and has nothing more to learn may end up teaching those in the organization unfortunate lessons and may unknowingly influence the organization's culture in an undesirable way.

While confidence is a personal trait essential to success, overoptimism is one of the most common reasons for bad decisions. We all have heard ourselves and others say, "Don't worry. Everything will work out OK." That statement is likely a consequence of overconfidence, not careful analysis that is necessary to make sure everything will work out as we hope.

There are several corollaries or other ways to express this overoptimism. Sometimes, business executives will do something that they know to be wrong with the belief that it is only a small or temporary wrong that will be fixed next year. They may rationalize that no one will notice the wrongdoing and that only big companies and big executives get caught, not small companies and little managers like them.

Many major accounting scandals started small, rationalized as temporary attempts to cook the books that would be corrected in the following years when business turned around. As we now know, finance managers and accountants who thought things would turn around were being overconfident about the economy and their companies.

Another aspect of overconfidence is *confirmation bias*; that is, we must be doing things the right way because all has gone well in the past. Or at least we have not been caught doing something wrong in the past, so we will not be caught in the future. In part, this reveals a thinking error we have studied: appeal to tradition. In the earlier homebuilder example, the project manager's cutting quality in years past may not have been detected by homeowners who knew nothing about construction quality. And none of the project manager's workers may have told top management about the project manager's actions. That past, however, does not guarantee the future. New homeowners may be more knowledgeable, and future workers may inform management of the project manager's quality-cutting actions.

If we are not careful, confirmation bias can also cause us to see what we want to see in a given situation and to engage in subconscious favorable spinning of potentially relevant facts even if those facts might fairly be treated as pointing in the other direction. Confirmation bias can cause us to miss the real lessons from an example that we think we are viewing objectively. To guard against the negative effects of confirmation bias and to learn as much as we can from an example or situation, we need to seek out and pay attention to possible disconfirming evidence: evidence indicating that our preferred position or view may not be correct.

Another consequence of overoptimism is believing that complex problems have simple solutions. That leads to the next common trait of bad decision making.

Complexity of the Issues Closely aligned to and aggravated by overconfidence is the failure of decision makers to understand the complexity of an issue. A manager may perceive that the facts are simpler than reality and, therefore, not see that there is little margin for error. Consequently, the executive has not considered the full range of possible solutions and has failed to find the one solution that best matches the facts.

Restated, the decision maker has not done all the investigation and thinking required by the Guidelines for Ethical Decision Making and, therefore, has not discovered all the facts and considered all the reasonable courses of action necessary to making a prudent decision.

The impediments to knowing all the facts, understanding the complexity of a problem, and doing the hard work to create and evaluate all possible solutions to a problem are known to all of us. Fatigue, laziness, overconfidence, and forgetting goals play roles in promoting ignorance of critical facts. We may also want to be team players, by following the lead of a colleague or the order of a boss. These human tendencies deter us from making the effort to find the facts and to consider all options.

Resisting Requests to Act Unethically

Even if we follow the Guidelines for Ethical Decision Making and avoid the pitfalls of fallacious reasoning, not everyone is a CEO or his own boss and able to make decisions that others are expected to follow. Sure, if you control a firm, you will do the right thing. But the reality is that for most people in the business world, other people make many decisions that you are asked to carry out. What do you do when asked to do something unethical? How can you resist a boss's request to act unethically? What could employees at WorldCom have done when its CFO instructed them to falsify the firm's books or mortgage brokers when their bosses asked them to falsify borrowers' incomes?

LO4-4 Utilize a process to make ethical decisions in the face of pressure from others.

Recognizing Unethical Requests and Bosses A person must recognize whether he has been asked to do something unethical. While this sounds simple considering we have spent most of this chapter helping you make just that kind of decision, there are structural problems that interfere with your ability to perform an ethical analysis when a boss or colleague asks you to do something. Many of us are inclined to be team players and "do as we are told" by a superior. Therefore, it is important to recognize any tendency to accept appeals to authority and to resist the temptation to follow orders blindly. We do not want to be like the Enron accounting employee who returned to his alma mater and was asked by a student, "What do you do at Enron?" When considering that question, a question he never posed to himself, he realized that his only job was to remove liabilities from Enron's balance sheet.

For most bosses' orders, such an analysis will be unnecessary. Most of the time, a boss is herself ethical and will not ask us to do something wrong. But there are exceptions that require us to be on the lookout. Moreover, some bosses have questionable integrity, and they are more likely to give us unethical orders. Therefore, it will be helpful if we can identify bosses who have shaky ethics, for whom we should put up our ethical antennae when they come to us with a task.

Business ethicists have attempted to identify executives with questionable integrity by their actions. Ethical bosses have the ability to "tell it like it is," while those with less integrity say one thing and do another. Ethical bosses have the ability to acknowledge that they have failed, whereas those with low integrity often insist on being right all the time. Ethical bosses try to build a consensus before making an important decision; unethical bosses may generate support for their decisions with intimidation through anger and threats. Ethical bosses can think about the needs of others beside themselves. Bosses with low integrity who misuse their workers by asking them to act unethically often mistreat other people also, like secretaries and servers.

If we pay attention to these details, we will be better able to consider the "source" when we are asked to do something by a boss and, therefore, more sensitive to the need to scrutinize the ethics of a boss's request.

Buying Time If we think a requested action is or might be unethical, what is done next? How can we refuse to do something a boss has ordered us to do? One key is to buy some time before you have to execute the boss's order. Buying time allows you to find more facts, understand an act's impact on the firm's stakeholders, and evaluate the ethics of the action. It also lets you find other alternatives that achieve the boss's objectives without compromising your values. Delay also gives you time to speak with the firm's ethics officer and other confidants.

How do you buy time? If the request is in an e-mail, you might delay responding to it. Or you could answer that you have received the e-mail and will give your attention to it when you finish with the task you are working on. Similar tactics can be used with phone calls and other direct orders. Even a few hours can help your decision. Depending on the order and your ability to stack delay on top of delay, you may be able to give yourself days or weeks to find a solution to your dilemma.

The most important reason for buying time is it allows you to seek advice and assistance from other people, especially those in the firm. That brings us to the next tactic for dealing with unethical requests.

Find a Mentor and a Peer Support Group

Having a support system is one of the most important keys to survival in any organization, and it is best to put a system in place when you start working at the firm. Your support system can improve and help defend your decisions. It can also give you access to executives who hold the power to overrule your boss. Your support system should include a mentor and a network of other employees with circumstances similar to your own.

A mentor who is well established, well respected, and highly placed in the firm will help you negotiate the pitfalls that destroy employees who are ignorant of a firm's culture. A mentor can be a sounding board for your decisions; she can provide information on those who can be expected to help you and those who could hurt you; she can advise you of the procedures you should follow to avoid antagonizing potential allies. A mentor can also defend you and provide protection when you oppose a boss's decision. Many firms have a mentorship program, but if not or if your assigned mentor is deficient, you should find an appropriate mentor soon after you join the firm. Be sure to keep her updated regularly on what you are doing. By letting a mentor know that you care to keep her informed, she becomes invested in you and your career.

You should also build a community of your peers by creating a network of other workers who share your values and interests. You may want to find others who joined the firm at about the same time you did, who are about the same age, who share your passion for the firm's products and services, and who have strong ethical values. To cement the relationship, your peer support group should meet regularly, such as twice a week at work during 15-minute coffee breaks. This group can give you advice, help with difficult decisions, and unite to back up your ethical decisions.

Find Win–Win Solutions As we learned from the Guidelines for Ethical Decision Making, many times there are more than the two options of doing and not doing something. There are a number of choices in between those extremes, and the best solution may be one unconnected to them. For example, suppose your boss has ordered you to fire someone who works under you. The worker's productivity may be lagging, and perhaps he has made a few costly mistakes. Yet you think it would be wrong to fire the worker at this time. What do you do?

Find a win–win solution—that is, a compromise that works for you and your boss. First, discover your boss's wants. Probably you will find that your boss wants an employee who makes no or few mistakes and has a certain level of productivity. Next determine what is needed for the affected employee to reach that level. If you find the employee is having emotional problems that interfere with his work, are they temporary or can we help him handle them? Can we make him more productive by giving him more training? Is the employee unmotivated or is he unaware that he lags behind other workers? Should we give him a warning and place him on probationary status for a month, releasing him if there is no satisfactory improvement? These alternatives may address your boss's concerns about the employee without compromising your ethical values.

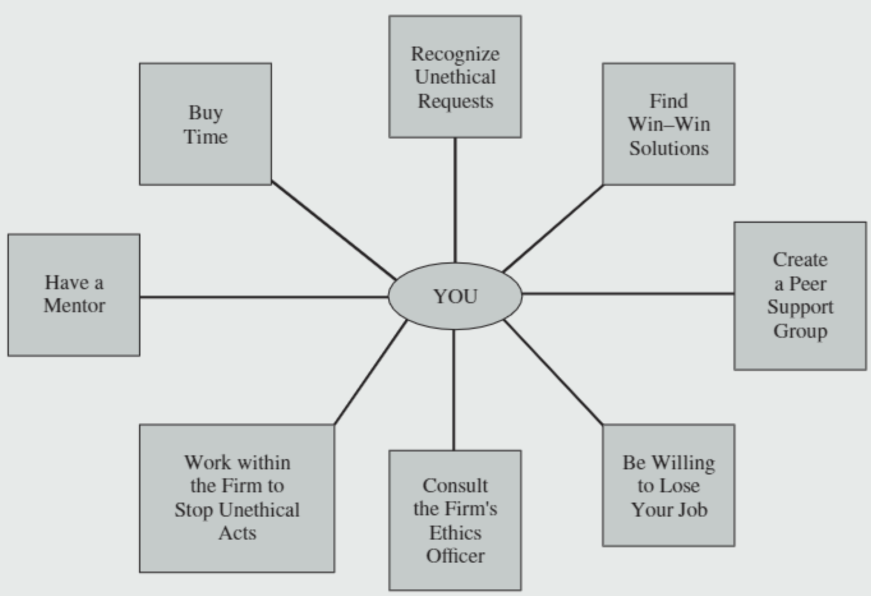
In other contexts, you may need to approach your boss directly and show that her order is not right for the firm. Using the Guidelines for Ethical Decision Making and valid arguments, you may be able to persuade your boss to accept your perspective and avoid an otherwise unethical decision. Finding a win–win solution is possible only when there is room for compromise. The Ethical Guidelines and logical arguments are effective when your boss respects reason and wants to act ethically. However, when you face an intractable executive demanding you do something illegal, a different response is needed.

Work within the Firm to Stop the Unethical Act Suppose you receive an order from an executive you know or suspect to be corrupt. For example, a CFO is motivated to increase the price of the firm's stock in order to make her stock options more valuable. She orders you to book in the current year revenue that, in fact, will not be received for at least two years, if ever. Booking that revenue would be fraudulent, unethical, and illegal. You are convinced the CFO knows of the illegality and will find someone else to book the revenue if you refuse. You probably will lose your job if you do not cooperate. What do you do?

This is when your mentor, peer support group, and corporate ethics officer can help you. Your mentor may have access to the CEO or audit committee, who if honest, should back you and fire the CFO. Your peer support group might

CONCEPT REVIEW

Resisting Requests to Do Unethical Acts



have similar access. The corporate ethics officer, especially if she is a lawyer in the firm's legal department, can also provide her backing and that of the legal department.

There is one large caveat, however. While the situation just described should and probably will result in your support system rallying to your support, in other situations that are ethically ambiguous, you, your mentor, and your support group may find that fighting a battle against a top corporate executive ineffectively expends your and your colleagues' political capital. In other words, you need to pick your battles carefully lest you and your colleagues at the firm be labeled whiners and troublemakers who unnecessarily seek intervention from higher-level corporate executives. This is why we have listed this alternative near the end of our discussion. In most situations, it is better to rely on your colleagues as advisors and to execute win–win solutions in cooperation with your boss.

But if neither compromise nor other intrafirm tactics protect you from unethical requests, you are left with a final tactic.

Prepare to Lose Your Job This is the last tactic, because by quitting or losing your job, you are deprived of your ability to help the firm make ethical decisions. Only as an employee can you craft win–win solutions or work within the firm to do the right thing.

But if a firm's executives and its internal governance are so corrupted that neither compromise nor reason can steer the firm away from an unethical and illegal course, you must be willing to walk away from your job or be fired for standing up for your values. Do not want your job and the status it brings so much that you are willing to compromise more important values. It is tough losing a job when one has obligations to family, banks, and other creditors as well as aspirations for a better life. But if you prepare yourself financially from day one, putting away money for an ethical rainy day, you will protect more important values.

Leading Ethically

The examples set by an organization's leaders have a profound effect on the culture of an organization. If the examples are good, a healthy culture can result. But if the examples reflect little seriousness about ethics, a corner-cutting culture may follow.

Someday, perhaps today, you will be in charge of other people in your business organization. You may be managing a four-person team, you may be a vice president of marketing in charge of a department, or you may eventually be a CEO directing an entire company. You give the people under your charge tasks to complete, supervise their work, help them complete the tasks, and provide motivation and feedback to ensure that the current job will be done well and that future work will be done better. So how do you also ensure that all those people under your charge act ethically? This is the daily challenge of ethical business leaders, who must not only act ethically themselves, but also promote ethical behavior of their workers.

Be Ethical

LO4-5 Be an ethical leader.

No one can lead ethically who does not attempt—and mostly succeed—in behaving ethically in her business and personal life. Few underlings respect an unethical leader, and many will be tempted to rationalize their own unethical conduct when they see their leaders acting unethically. They fall prey to the bandwagon fallacy, arguing, for example, that because the CFO is doing something wrong, so may they. For the same reason, ethical behavior by good managers encourages ethical behavior by underlings, who often view their bosses as role models and guides for advancing in the corporation. If they see an ethical boss moving up in the business, they will believe that the system is fair and that they, too, by acting ethically, can advance at the firm. As Harvard business ethics professor Lynn Sharp Paine has noted, "Managers who fail to provide leadership and to institute systems that facilitate ethical conduct share responsibility with those who conceive, execute, and knowingly benefit from corporate misdeeds."

Communicate the Firm's Core Ethical Values For CEOs, creating, communicating, and emphasizing the firm's core values are essential to creating an ethical environment that rubs off on all employees. For other managers, recommunicating and reemphasizing the firm's value are also important.

All public companies today have ethics codes, as do many smaller companies. Yet the CEO who leads ethically must continually emphasize in written messages and speeches the importance and necessity that everyone comply with the code. Other top-level managers, such as the vice president of finance, should ensure that their staffs understand the ethics code's application to their corporate tasks and make ethical reviews part of the staffs' annual evaluations. A lower-level manager who supervises a small staff for a single project should also do his part to encourage compliance with the ethics code by pointing out how the code relates to the project assignment and including ethics in the project team's progress reports.

Connect Ethical Behavior with the Firm's and Workers' Best Interests It is one thing to educate your staff about ethical behavior and another to obtain compliance. One good way to increase compliance with the firm's core ethical values is to convince the staff that their best interests—and the firm's—are met by acting ethically. Management should help employees understand that the firm's profitability and the employee's advancement in the firm are optimized by each employee taking responsibility for acting ethically. Staff must understand that adverse publicity caused by unethical conduct harms a firm's ability to promote itself and its products and services. The ethical manager also clearly establishes ethical behavior as a prerequisite for salary increases and promotions, or at least that unethical behavior is a disqualifier.

Reinforce Ethical Behavior When a manager knows a staff member has acted ethically in a situation in which employees in less ethical firms would be tempted to act unethically, the manager should congratulate and find other ways to reinforce the staff member's behavior. For example, if a staff member reports that a supplier has attempted to bribe him in order to do business with the firm, the ethical manager will praise the staff member and may include a letter commending him in his employment file.

In addition, management should set up a mechanism for its employees to report instances of unethical behavior by the staff. While some employees will view whistle-blowing as an act of disloyalty, management should recharacterize whistleblowing as necessary to the protection of the firm's decision-making processes and reputation. Undetected ethical decisions often lead to poor decisions and harm corporate profits. While management does not want witch hunts, good managers must garner evidence of alleged unethical behavior so they may investigate and stop conduct that is harmful to the firm.

A necessary corollary is not reinforcing unethical behavior, including behavior that may lead to an unethical act or foster an environment that appears tolerant of ethical missteps. It is usually not acceptable to ignore bad behavior. The ethical leader must reprimand staff for unethical actions and must not tolerate statements that suggest the firm should engage in unethical conduct. For example, if during discussions about how to increase revenue for a product line, one staff member suggests obtaining competitors' agreements to fix prices, a manager running the meeting should make clear that the firm will not engage in that or any other conduct that is illegal. To let the price-fixing comment pass without comment may send the message that the manager and the firm condone illegal or unethical acts.

Additionally, managers should work to create a culture in which employees feel a sense of "ownership" in the organization. Employees who invest themselves in the organization are more likely to be employees with both a greater sense of satisfaction and higher commitment to the overall mission of the firm. Consider the difference between how most people treat an owned car versus a rental car. No one changes the oil, rotates the tires, or washes and waxes a rental car. A rental car serves a short-term, instrumental purpose and carries with it no long-term commitment or investment. Ownership of a vehicle, on the other hand, is accompanied by routine maintenance and proactive attention to any unusual sounds or dashboard indicators. Leaders who can inspire an ownership mentality among their employees are less likely to confront employees content to perform at the bare minimum level or tempted to cut corners.

Collectively, these reinforcing mechanisms should create a culture in which ethical practices define the firm and its employees rather than being imposed on them.

Problems and Problem Cases

1. You are a middle manager with responsibility over a staff of 16 workers. One of your workers is six months pregnant. Over the last month, she has missed work an average of two days a week and seems to be frequently distracted at work. You are concerned about her welfare and about her work performance, but are unsure what to do. What do the Guidelines for Ethical Decision Making suggest you do first?
2. You are an outside director of Crowler Inc., a manufacturer of kitchen and bathroom fixtures such as faucets, shower heads, and shower doors. Crowler has 29,000 employees worldwide, including 18,000 manufacturing employees in the United States, Canada, and Mexico. Its headquarters is in Eden Prairie, Minnesota. The CEO has proposed that Crowler increase its manufacturing capacity by adding a large facility to manufacture kitchen faucets, thereby increasing manufacturing employment by 3,000 workers. The board of directors is considering whether Crowler should expand its manufacturing facility in Brownsville, Texas; open a new factory in Indonesia; or close the Brownsville facility and move its current operations and the new operations to Indonesia. Using the Guidelines for Ethical Decision Making, what do you want to know before you make a decision?
3. You are a debt collections officer for a credit card issuer, NationalOne Corporation. NationalOne generates