



ROTARY ETHICS SYMPOSIUM

Participant Booklet

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Introduction

We all have an image of our better selves—of how we are when we act ethically or are "at our best." We probably also have an image of what an ethical community, an ethical business, an ethical government, or an ethical society should be. Ethics has to do with all these levels.¹

What Is "Ethics"?

Simply stated, ethics refers to standards of behavior that tell us how human beings ought to act in the many situations in which they find themselves—as friends, parents, children, citizens, businesspeople, teachers, professionals, and in other roles.

Initially, it is helpful to identify what ethics is NOT:

Ethics is not necessarily the same as feelings. Feelings provide important information for our ethical choices. Some people have highly developed habits that make them feel bad when they do something wrong, but many people feel good even though they are doing something wrong. And often our feelings will tell us it is uncomfortable to do the right thing if it is hard.

Ethics is not necessarily the same as religion. Many people are not religious, but ethics applies to everyone. Most religions do advocate high ethical standards and religion provides an important ethical framework for many people, but sometimes religion does not address all the types of problems we face. Also, some religions have simple proscriptive statements that in practice have many exceptions or complexities.

Ethics is not necessarily the same as following the law. A good system of law does incorporate many ethical standards, but law can deviate from what is ethical. Law can become ethically corrupt, as some totalitarian regimes have made it. Law can be a function of power alone and designed to serve the interests of narrow groups. Law may have a difficult time designing or enforcing standards in some important areas, and may be slow to address new problems. Also, just because something is legal does not mean it is ethical.

Ethics is not necessarily following culturally accepted norms. Some cultures are quite ethical, but others become corrupt—or blind to certain ethical concerns (as parts of the United States were to slavery

¹ The information in this booklet was adopted, with some modifications, from materials published by the Markkula Center for Applied Ethics at Santa Clara University. Primary contributors to the Markkula Center for Applied Ethics material include Manuel Velasquez, Dennis Moberg, Michael J. Meyer, Thomas Shanks, Margaret R. McLean, David DeCosse, Claire André, and Kirk O. Hanson. See the website of the Markkula Center for Applied Ethics at www.scu.edu/ethics for more information.

before the Civil War). "When in Rome, do as the Romans do" is not a satisfactory ethical standard.

Ethics is not science. Social and natural science can provide important data to help us make better ethical choices. But science alone does not tell us what we ought to do. Science may provide an explanation for what humans are like. But ethics provides reasons for how humans ought to act. And just because something is technologically possible, it may not be ethical to do it.

Why Identifying Ethical Standards Is Hard

There are three fundamental difficulties in identifying the ethical standards we are to follow:

1. It is not always easy to recognize that choices and options are available in a cultural or social situation where one course of action is often common or expected by peers.
2. It is not always easy to identify clear and expressible explanations for our ethical standards.
3. Even when we are able to articulate a clear ethical standard, it is often difficult to apply it to a situation we actually face.

If our ethics are not necessarily the same as feelings, religion, law, accepted social practice, or science, what are they based on? Many philosophers and ethicists have helped us answer this critical question. They have suggested at least five different sources of ethical standards we should use.

Five Sources Of Ethical Standards

1. The Utilitarian Approach:

Summary: The Utilitarian Approach proposes that the ethical action is the one that provides the most overall good balanced against the harm done. The ethical corporate action, then, is the one that produces the greatest good and does the least harm for all who are affected -- customers, employees, shareholders, the community, and the environment. The Utilitarian Approach deals with overall consequences; it tries both to increase the good done and to reduce the harm done. It can sanction very adverse consequences for a few if many are seen to benefit.

Additional Background: Utilitarianism was articulated in the 19th century by Jeremy Bentham and additionally refined by John Stuart Mill. It was often invoked by legislators in debates over business regulation and the economy.



To analyze an issue using the Utilitarian Approach: First identify the various courses of action available. Second, ask who will be affected by each action and what benefits or harms will be derived from each. And third, ask “What will produce the most overall good and do the least harm?” Then choose the action that will produce the best balance of benefits over harms. The ethical action is generally the one that provides the greatest good for the greatest number.

For example: If a corporation is deciding whether it is ethical to manufacture a product in a way that causes a certain amount of pollution, the Utilitarian Approach would say that the most ethical course of action would be the one that produces the greatest good and does the least harm for all who are affected including owners, workers, customers, those living nearby, the community, the nearby environment and down-stream/wind effects. Early in the Industrial Revolution, owners of capital did not often proceed far down this list in deciding what was important. Or, one might say the most ethical course of action depends on whether the cost of finding a way to manufacture the product in a way that causes less pollution outweighs benefits that will be gained by less pollution. Often a key issue becomes how far from the action should effects be considered.

2. The Rights Approach:

Summary: The Rights Approach proposes that the ethical action is the one that best protects and respects each person's rights and dignity. This is a radical shift in what is valued and examined. This approach starts from the belief that humans have a dignity based on his or her human nature per se or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends and not merely as means to other ends. The list of rights—including the rights to make one's own choices about what kind of life to lead, to be told the truth, not to be injured, to a degree of privacy, and so on—is widely debated; some now argue that non-humans have rights, too.

Additional Background: This approach to ethics has its roots in the philosophy of the 18th-century thinker Immanuel Kant and others like him, who focused on the individual's right to choose for herself or himself. According to these philosophers, what makes human beings different from mere things is that people have dignity based on their ability to choose freely what they will do with their lives, and they have a fundamental right to have these choices respected. People are not objects to be manipulated; it is a violation of human dignity to use people in ways they do not freely choose.

Of course, many different, but related, rights have been proposed. Examples include:

- The right to the truth: We have a right to be told the truth and to be informed about matters that significantly affect our choices.



- The right to privacy: We have the right to do, believe, and say whatever we choose in our personal lives so long as we do not violate the rights of others.
- The right not to be injured: We have the right not to be harmed or injured unless we freely and knowingly do something to deserve punishment or we freely and knowingly choose to risk such injuries.
- The right to what is agreed: We have a right to what has been promised by those with whom we have freely entered into a contract or agreement.

To analyze an issue using the Rights Approach ask, "What will guarantee that each person's rights and dignity will be respected?" Actions are unethical to the extent that they violate the rights of individuals; the more serious the violation, the more unethical the action.

For example: If a suspect after a crime does not want to speak to the police, should the authorities be able to use force to find out what they want? What if there may be another crime that the police believe is going to occur and the person in custody may know something about it? Our society, largely based on a Rights approach, has determined that the suspect may not be compelled to implicate himself. Others may say (taking a more Utilitarian Approach) that extremely harsh methods should be used on a few to benefit the vast number of good citizens. Again, the Rights Approach provides a clear answer (to those who adhere to its principles): respect the individual.

The point to emphasize here is that each approach directs attention to distinct considerations as determinative.

3. The Fairness Approach:

Summary: The Fairness Approach proposes that an ethical action is one that provides that equals should be treated equally or, if unequally, then fairly based on some equitable standard. We pay people more based on their hard work or the greater amount that they contribute to an organization, and say that is fair. But there is a debate over CEO salaries that are hundreds of times larger than the pay of others. Many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence is unfair.

Further Background: The fairness approach to ethics has its roots in the teachings of the ancient Greek philosopher Aristotle, who said that "equals should be treated equally and unequals unequally."

To analyze an issue using the Fairness Approach ask, "What will be most fair to each group?" Does it treat each group in the same way, or does it show favoritism and discrimination.



For example: This Approach is often held mental captive to the everyday meaning of the word “fair”: “Well, just do what is ‘fair’ (e.g., one person cuts the cookie and the other gets to pick first) and you will be following the Fairness Approach.” In this Symposium’s more careful use of historically applied ways to evaluate human behavior, the Fairness Approach is derived from Aristotle’s definition of equal or proportionate treatment among similarly situated groups. A recent example is provided in a high profile case argued by a prominent conservative attorney. In January, 2010, Theodore Olson (George W. Bush’s attorney in *Bush v. Gore*, the 2000 presidential election determining case) argued in favor of a Constitutional right to same sex marriage in classic Fairness Approach terms: “California recognizes marriage between men and women, including persons on death row, child abusers, and wife beaters. At the same time, California prohibits marriage by loving, caring, stable partners of the same sex ...”

What you need to look for in applying the Fairness Approach is not overall societal impact (Utilitarian) or how an individual is treated (Rights). The focus is on groups, specifically similarly situated groups. It is certainly appropriate to ask: “Has Mr. Olson chosen appropriate groups to compare?” *What is important* in the Fairness Approach is the terms of analysis: It involves identification of other groups similarly composed or impacted and evaluating justifications for any differences in treatment among those groups.

4. The Common Good Approach:

Summary: The Common Good Approach proposes that an action is ethical if it advances the good of the community as a functioning whole. Community members are best served by the mutual pursuit of common values and goals. This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others—especially the vulnerable—are requirements of such reasoning. This approach also calls attention to the common conditions that are important to the welfare of everyone. This may range from a system of laws, effective police and fire departments, health care, an educational system and recreational areas to the unofficial groups and gatherings that assist those in need and provide shared enjoyment and bonding that undergirds civic life.

Additional Background: The common good is a notion that originated more than 2,000 years ago in the writings of Plato, Aristotle, and Cicero. These philosophers contributed the notion that life in community is a good in itself and our actions should contribute to that life. More recently, contemporary ethicist John Rawls has updated these concepts and defining the common good as “certain general conditions that are . . . equally to everyone's advantage.”

To use the Common Good Approach, focus on ensuring that the social policies, social systems, institutions, and environments on which we depend are beneficial to all. Examples of goods common to all include affordable health care, effective public safety, peace among nations, a just legal system, and an



unpolluted environment. And actions should not be limited to the political or legislative area. Assisting neighbors and others in fostering civic conduct (e.g., refuse clean up, neighborhood watch, welcoming new arrivals) and maintaining multiple bases (e.g., geographic, faith, professional, music preference) for interaction are important Common Good ethical activities.

Appeals to the common good urge us to view ourselves as members of the same community, reflecting on broad questions concerning the kind of society we want to become and how we are to achieve that society. While respecting and valuing the freedom of individuals to pursue their own goals, the Common Good Approach challenges us also to recognize and further those goals we share in common.

For Example: In deciding how to spend free time, assigning priority to those activities noted above that build relationships, foster understanding and make life better and a source of local pride are particularly ethical using the Common Good Approach.

5. The Virtue Approach:

Summary: A very ancient approach to ethics provides that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our individual humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and patience. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues.

Additional Background: The Virtue Approach has its roots in the teaching of ancient philosophers such as Confucius, Socrates, and the Buddha; the medieval philosopher Thomas Aquinas; and modern-day philosopher Alasdair MacIntyre. The virtue approach to ethics assumes that there are certain ideals toward which we should strive, which provide for the full development of our humanity. These ideals are discovered through thoughtful reflection on what kind of people we have the potential to become. They may or may not be exhorted or prescribed by a religious authority figure.

Virtues are ethical habits; that is, once determined and acquired, they tend to become characteristic of a person. Moreover, a person who has developed virtues will be naturally disposed to act in ways consistent with ethical principles.

To use the Virtue Approach ask, "Would you want to be the sort of person who acts this way – what virtues are upheld?" or "Is this action consistent with my acting at my best?" "What will promote the development of character within myself and my community?"

For example: Always and everywhere tell the truth? While youngsters in many cultures are provided stories and heroic examples of virtuous behavior, as



they grow older many become less admiring of people who put certain individual standards above everything. The list of virtues can be extensive but as life gets more complex, claims of group loyalty, appeals to be a “team player”, and “you’re going to miss out on a really good thing” jests make decisions on a strictly virtue basis tougher. It is often noted that the fate of famous pursuers of strict individual virtue is to stand out as unusual and, troublingly, occasionally martyrdom.

Yet, when all is said and done, whose values and inner guidance should lead our actions? What is bedrock for our conscience and personal peace? While many of the calculations suggested by the other approaches may be complex, the old virtues of the Virtue Approach have comforting benefits.²

Making Ethical Decisions: Using The Approaches Together

Making good ethical decisions requires a trained sensitivity to ethical issues, a practiced method for exploring the ethical aspects of a decision and weighing the considerations that should impact our choice of a course of action. It also should involve a way to assess what has happened and a resolve to improve how we act and internalize best practices. Having a method for ethical decision-making is very valuable. When practiced regularly, the method can become so familiar that we work through it automatically.

The more novel and difficult the ethical choice we face, the more we may need to rely on discussion and dialogue with others about the dilemma. Only by careful exploration of the problem, often aided by the insights and different perspectives of others, can we make good ethical choices in such situations. Below, we have described a framework or process for making ethical decisions that includes consideration of each of the five approaches discussed above.

R-O-T-A-R-Y Spells A Six-Step Framework For Ethical Decision-Making

Below is a Six-Step framework for Ethical Decision-Making that uses each of the five approaches described above. We hope this Six-Step Framework is something you will take with you and use throughout your life as you evaluate situations with ethical dimensions. We hope it becomes a continuing source of guidance, strength, and inquiry over time. As more persons are influenced by the benefits of these reflective practices, we hope that the long-term result of this Symposium will be the fostering of a reflective community with widespread concern for the ethical dimensions of every-day activities. We have used the

² The philosophers referred to in this booklet are just a few of the many people who have considered ethical issues. All those mentioned in this booklet are men and most of them, except for Buddha and Confucius, were from the western societies. However, this does not mean that there are not non-western philosophers or women who have contributed to the study of ethical issues. It is worth noting that until very recently it has been almost entirely men who have had the freedom and resources to consider philosophical issues. Virginia Held, Marha Nussbaum, Mary Wollstonecraft, Carol Gilligan, and Julie Kristeva are some of the women who have studied and contributed to our understanding of ethics.



name of our club, “R-O-T-A-R-Y” to help you remember this Six-Step Framework.³

Step 1: Recognize an Ethical Issue

Is there something about the situation that requires you to make a difficult decision about what is the best or right course of action personally, interpersonally, or socially? Could the conflict, the situation, or the decision be harmful to people or to the community? Is this a situation where doing what is common or expected might not be the most ethical course of action?

Does the issue go beyond legal concerns or the concerns of your own group or organization? What does it do to people, who have dignity, rights, and hopes for a better life together? Is there a course of action that goes beyond the minimum of avoiding obvious harm and adds value to a relationship or a community? Is there a difference between “doing what you would like to do” and “doing what the other person would like done to them or for them?”

Step 2: Obtain Information about the Situation and Other’s Interests and Perceptions

What are the relevant facts of the case? What facts are unknown?

What individuals and groups have an important stake in the outcome? Do some have a greater stake because they have a special need or because we have special obligations to them? What are the interests of those involved (including, for example, emotional, psychological, or financial interests)? How do others think about the situation? Can you state their position in their words?

What are the options for acting? Is it possible to consult affected persons and groups?

Step 3: Test Alternative Actions from Various Ethical Perspectives

Utilitarian Approach: The ethical action is the one that will produce the greatest balance of benefits over harms. (What will produce the most overall good and do the least harm?)

Rights Approach: The ethical action is the one that most dutifully respects the rights of all affected. (What will guarantee that each person’s rights and dignity will be respected?)

³ This framework is based on a framework developed by the Markkula Center for Applied Ethics. The Six-Step Framework, using R-O-T-A-R-Y as an acronym, was developed by the 2007 Rotary Ethics Symposium Committee of the Rotary Club of Madison, Wisconsin, Juli Aulik, Chair; Joe Sensenbrenner and Bob Shumaker, Co-Chairs of the Curriculum Committee.



Fairness Approach: The ethical action is the one that treats people equally, or if unequally, that treats people proportionately and fairly. (What is most fair to each group?)

Common Good Approach: The ethical action is the one that contributes most to the achievement of a quality common life together. (Which option would help all involved participate more fully in the life we share as a society?)

Virtue Approach: The ethical action is the one that embodies the habits and values of humans at their best. (Would you want to be the sort of person who acts this way – what virtues are upheld?)

Considering all of these perspectives, including the perspectives of others, which course of action is the best to undertake?

Consideration of each of the five approaches helps us determine what standards of behavior can be considered ethical. We do not mean to suggest that this is always easy.

First, the approaches are not entirely separate and distinct. The inquiries and analyses often overlap.

Second, we may not agree on the items to be considered in using a particular approach. For example, we may not all agree to the same set of human and civil rights. We may not agree on what constitutes the common good. We may not even agree on what is beneficial and what is harmful.

The third problem is that the different approaches may not all answer the question "what is ethical?" in the same way. And, certain approaches may be more useful for resolving certain types of ethical issues than others. Nonetheless, each approach gives us important information with which to determine what is ethical in a particular circumstance. And, much more often than not, the different approaches do lead to similar recommended courses of action.

Despite these challenges, careful consideration of each of these approaches and dialogue with others (including consulting with a trusted advisor with wisdom and experience) can help you make ethical decisions.

Step 4: Act Consistently with Your Best Judgment

Implement your decision observing whether you actually understood the circumstances and the perspectives of the relevant parties. Respect the possibility that as you learn and observe more you may have to adjust your thinking and actions.

Step 5: Reflect on Your Decision after Acting



How did it turn out for all concerned? How might others describe the course of action and outcome? If you had it to do over again, what would you do differently? Can you now identify a course of action that more optimally impacts the situation?

Step 6: Yield to Your Ethical Judgments

As time passes, continuously strive to make decisions and to act in a way that exemplifies human beings “at our best.” Help to create your image of what an ethical person, an ethical community, an ethical business, an ethical government, or an ethical society should be. Ethics really has to do with all these levels. Let your ethical judgments govern your conduct and become your nature.

An Ethical Dilemma

The following story is an adaptation of an ethical dilemma that is often used in the study ethical decision-making.⁴

A woman was near death from a deadly disease. A new breakthrough drug, which has cost a lot of money and taken years to develop, would probably save the woman’s life. Jenkins’ Drugs, a local drug store, carries the drug.

Treatment with drug would cost \$50,000 or more, but the woman’s family does not have money or health insurance to pay for it. Mr. Jenkins, the owner of the drug store, cannot afford to give the drug away and the company that sells him the drug won’t do anything to help.

The woman’s husband has talked to friends, relatives, neighbors and people at work to try to come up with the money, but, at most, he can come up with only a couple of thousand dollars.

The woman’s daughter, Sarah, a junior in high school, has been to the drug store. She realizes that there are no security cameras and that it would probably be possible to break into to the drug store to steal the drugs her mother needs. She thinks that even if she gets caught, people would understand.

Should Sarah break into the store to steal the drug? Why or Why not?

⁴ This narrative description of this adaptation of a classic ethical dilemma is based on a video written and directed by Elizabeth Fadell, a 2007 member of the Rotary Ethics Symposium Committee, and produced with the assistance of WISC-TV 3.



Applying The Six-Step Framework To Ethical Decision-Making

Consider how the Six-Step Framework for Ethical Decision-Making can be applied to the above story.

1. Recognize an Ethical Issue: Is there an ethical issue? What is it? Why is there an *ethical* issue?

2. Obtain Information about the Situation and Other's Interests and Perceptions: What are the relevant facts of the case? What facts are unknown? What interests are involved? What do others think about the situation? What are the options for acting? Is it possible to consult interested persons and groups?

3. Test Alternative Actions from Various Ethical Perspectives

What will produce the most overall good and do the least harm? (Utilitarian)

What will guarantee that each person's rights and dignity will be preserved? (Rights Approach)

What will be most fair to each group? (Fairness Approach)

What helps all involved participate more fully in the life we share as a society? (Common Good Approach)

Would you want to be the sort of person who acts this way – what virtues are upheld? (Virtue Approach)

Based on all of these approaches, what do you think Sarah should do? Why? Do all of the five approaches support your conclusion? Are some approaches more helpful than others in addressing this dilemma?

What do you think is the best reason to support your opinion as to what Sarah should do? What makes it the best reason?

4. Act Consistently with Your Best Judgment: If you were Sarah, what would you do? Is this a situation where it would be difficult for you to actually do the most ethical thing?

5. Reflect on Your Decision after Acting: What consequences or response might cause the husband to conclude that she should have acted differently? Does this cause you to change your belief as to what Sarah should do?



6. **Yield to Your Ethical Judgments:** If you were Sarah would you follow your ethical judgment?

Questions For Further Thought

1. If you concluded that Sarah should steal the drug, consider the following change in the facts: the mother's employer offered health insurance which would have covered the cost of the drug, and that the mother and her husband, could have had that health insurance by paying only a very small and very affordable part of the monthly premium for the insurance, but unlike 99% of the other employees who worked for the same employer, they did not take the health insurance because they wanted to use the money for having parties and doing other things they thought were fun. Would that fact have changed your opinion about what Sarah should do? For which approach(es) does this change in the facts make the most difference? Are there some approaches for which this change in facts does not make a difference?

2. If you concluded that Sarah should not steal the drug, consider the following change in the facts: her mother had a very contagious disease and that if she did not take the drug immediately she would not only likely die, but also before she died, the disease would likely infect and kill others, including many small children, who lived in her neighborhood? Would this change in the facts cause you to reach a different conclusion? Why? For which approach would this change in facts matter the most? Why?

3. Assume that Sarah broke into the drug store and stole the drug. The next day, the newspapers reported the break-in and theft. A police officer who is a friend of the family and who is familiar with the situation remembered seeing Sarah the previous evening, behaving suspiciously near the drug store. Later that night, he saw Sarah running away from the laboratory. Should the police officer report what he saw? Does it necessarily follow that if you concluded it was ethical for Sarah to steal the drug that it would be ethical for the police officer not to report what he saw? Why or why not?

4. Assume that, the police officer reported what he saw. Sarah was arrested and brought to adult court. If convicted, she faces up to ten years in prison. If she is found guilty, should the judge sentence Sarah to prison? Would it matter if the law said that the judge was required to impose a mandatory sentence of ten years for this type of crime (and upon becoming a judge, the judge took an oath promising to follow the law)?

5. Assume that you were recently elected to the legislature. You learn about Sarah's family's situation and that many other people face similar problems in having no legal way to pay for the expensive drugs they need. You are considering how to vote on a proposed law that would pay for expensive drugs



for people like Sarah's family who could not afford them. Is the ethical issue different than it was for Sarah, the police officer, and the judge? Would it make a difference if when you ran for the legislature you promised that you would not vote for any new government spending or any new government programs? Would it matter if this were a new problem (for example, if previously there had been many nonprofit organizations that provided assistance to people who could not afford drugs or if previously drugs had not been so expensive)?

6. Which approaches were the most useful to you in considering the above questions? Did considering the likely perspectives of others help you?

Using The Six-Step Framework In The Future

Practice using this Six-Step Framework for Ethical Decision-Making as you encounter ethical issues. We hope that this framework helps you consider ethical issues from various perspectives and that it will become a continuing source of guidance, strength and inquiry over time.

As more persons are influenced by the benefits of these reflective practices, we hope that the long-term result of the Rotary Ethics Symposium and similar efforts will be the fostering of a reflective community with widespread concern for the ethical dimensions of every-day activities.

Remember, R-O-T-A-R-Y spells a Six-Step Framework for Ethical Decision Making.

Follow-up In Your School

Consider how you can share what you learned about ethical decision-making with others in your school. Perhaps, there is a class in which your teacher would allow you to present the Six-Step Framework for Ethical Decision-Making to your classmates and discuss one or more ethical dilemmas. If so, you are welcome to make photocopies of our "R-O-T-A-R-Y Spells as Framework for Ethical Decision-Making" and this booklet or download copies from our website: www.rotarymadison.org.

On the next several pages are other case studies that raise ethical issues that you might want to discuss. You can find additional case studies on the website of the Markkula Center for Applied Ethics: www.scu.edu/ethics and on other websites and in other sources listed in the bibliography below. Perhaps you can identify ethical issues in the news or in materials from your history, social studies, literature, science, or other classes.



There are several guiding principles that you might use to guide your selection of an ethical case:

- Ideally the question in the case study will lead to different answers depending upon which of the 5 ethical approaches you take.
- Ideally the question in the case study will lead to only one clear answer within each respective ethical approach.
- It's best to pose a dilemma that is neutral and does not tip its hand with components of the scenario that lead to an obvious conclusion.

We would like to hear about any follow-up activities you might try. If you or your teachers have questions or are looking for other ideas about how they might follow-up on what you learned today, please let us know. You can contact us at the Rotary Office at 255-9164 or office@rotarymadison.org.

A Business Ethics Case: The Case of the Million-Dollar Decision

Pegasus International Inc. is a leading manufacturer of integrated circuits (chips) and related software for such specialty markets as communications and mass storage, as well as PC-based audio, video, and multimedia. With a focus on innovation, Pegasus is committed to "technology leadership in the new millennium." Its long-standing strategy has been to anticipate changes in existing and emerging growth markets and to have hardware and software solutions ready before the market needs them. The company has also made significant strides in wireless communications.

The systems and products of Pegasus' wireless business have been selling well in its already existing markets in the United States, Japan, and Europe. But, like any company, Pegasus is eager to grow the business. At a strategy session with the Wireless Division, Pegasus CEO Tom Oswald and division managers decide to explore the potential of expanding their business to China.

Initial research indicates that China is likely to develop into a huge market for wireless because its people do not currently have this capability and the government has made spending on wireless a priority. Wireless is really the only choice for China because of the high cost of burying the communications cables necessary in wired systems; further, in underdeveloped countries, copper wires are often stolen and sold on the black market.

Subsequent research does raise one concern for Pegasus wireless managers. They tell Oswald, "We have this problem. China allocates



frequencies and makes franchise decisions city by city, district by district. A 'payoff' is usually required to get licenses."

The CEO says, "A lot of companies are doing business with China right now. How do they get around the problem?"

His managers have done their homework: "We believe most other companies contract with agents to represent them in the country and to get the licenses. What these contractors do is their own business, but apparently it works pretty well because the CEOs of all those companies are able to sign the disclosure statement required by law saying that they know of no instance where they bribed for their business."

"I wonder if paying someone else to do the crime is the same as our doing the crime," Oswald says. "I'm just not very comfortable with the whole question of payoffs. So, let me ask you, if we don't expand into China, how much business will we lose, potentially?"

His Wireless Division manager responds, "It will be huge not to do business in all the countries expecting payoffs. China alone represents easily \$100 million of business per year. It's not life and death, but it is a sizable incremental opportunity for us, not to mention potential Japanese partners who will make significant capital investments. All we have to do is add our already-existing technology. When you consider all that, we have a lot to gain. What will we really lose if our local contractors are forced to make payoffs every now and then?"

Oswald wants his company to succeed, he wants to maximize shareholder value, he wants to keep his job, and he wants to model ethical leadership. He has made an effort to build a corporate culture characterized not only by aggressive R&D and growth but also by integrity, honesty, teamwork, and respect for the individual. (See **Pegasus Values** below.) As a result, the company enjoys an excellent reputation among its customers and suppliers, employee morale is high, and ethics is a priority at the company.

What should he decide in this case? Why? ⁵

Pegasus International Values

Pegasus International has always placed a high premium on its relationship with its employees. Although the nature of our business and markets may change as the company evolves to meet different market conditions, a strong emphasis on ethical behavior and respect for each other will remain constant.

Our behavior is guided by these simple but important values: Integrity and Intellectual Honesty

! Be Honest With Yourself and Others
! Tell It All and Tell It Like It Is

⁵ This case study was prepared by Thomas Shanks, S.J., of the Markkula Center for Applied Ethics.



- ! Protect Our Intellectual Property
- ! Face the Facts
- Teamwork and Trust**
- ! Keep Your Commitments Make It Happen
- ! Take Personal Responsibility Be Accountable
- ! Think Beyond Boundaries Leverage Your Activity
- ! Value Each Other's Contributions/Opinions/Perspectives
- Respect for the Individual**
- ! Attack the Problem, Not the Person
- ! Be Prepared for Meetings
- ! Do Not Waste Others' Time
- ! Listen Actively
- ! Seek Others' Participation
- Delight the Customers**
- ! Create Value for Customers
- ! Promise What You Can Do and Do What You Promise
- ! Build Quality In and Improve Continuously
- ! Meet/Exceed Customers' Requirements
- ! Create Long-term Successful Customers

Education Ethics: Between a Rock and a Hard Place

In your group of friends, you are a natural leader.

You and a group of your friends have been studying for a final exam in the room in which the exam will take place. This is a course you and your friends like, in part because you really like and respect the teacher of the class who has gone all out to make the course a really good one.

You finish studying just a little early and decide that you have time to go have lunch and play a little joke on the teacher. You decide, pretty much jointly, to write a bunch of the formulas that are part of the subject matter for the exam on a side black board in the classroom. You put the formulas down on the board and then surround them with a bunch of other writing. Your idea is to get back to the class before the teacher arrives, wait for her to notice the formulas, laugh a little, and then erase them before the exam starts.

But you get delayed at lunch and by the time you and your friends get back the exam has already started. You are horrified to realize that the teacher hasn't noticed the formulas on the side board and that they are still there while the class takes the test. You panic a little when you realize that the formulas you've written on the board are indeed on the test. You freeze and do nothing.

The exam ends. The teacher collects the exams and you leave the room.

What is the ethical thing for you to do now?

You do not know that as the teacher gets ready to leave the room, she notices all the formulas on the side board. She believes that someone or some group in the class has cheated on the test. She talks to the department chair and



sends a letter to all the students in the class that this has happened, that she will not file final grades until those who have been part of this step forward and take responsibility for cheating. You and the group meet together to decide what to do. Three of the five members of the group don't want to step forward. No one else in the class knows who wrote the formulas on the board and the three believe no harm can come if you all hang tough.

What is the ethical thing for you to do now? Do you do it? ⁶

Bibliography

The following is a list of resources that may be of interest to you.

Websites:

- Applied Ethics Resources on the Web www.ethicsweb.ca
- Ethics Resource Center: www.ethics.org
- The Online Ethics Center for Engineering and Science at Case Western University: www.onlineethics.com
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