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2.2 Business Ethics

LEARNING OBJECTIVES

1. Identify Cherrington and Cherrington’s (1992) typology of ethical lapses in business.
2. Understand how Cherrington and Cherrington’s (1992) typology of ethical lapses applies to the modern workplace.

In Table 2.1 "Modern Ethical Lapses" at the beginning of this chapter, we listed a number of ethical lapses that have been perpetrated by various organizations during the first decade of the 21st Century. Business ethics has become such a hot item that there have been over 1,000 books written with the phrase “business ethics” in the title since the 21st Century began. One could easily be misled into thinking that the idea of ethical business behavior and practices is a creation of the 21st Century, but the discussion of ethical and unethical business behavior is as old as the marketplace itself. As for the formal study of business ethics, the Center for Business Ethics was founded in 1976 at Bentley College, which then held the first academic conference on the subject in 1977 (Hoffman, 1982). The information generated at that first conference was bundled into a text titled The Proceedings of the First National Conference on Business Ethics: Business Values and Social Justice—Compatibility or Contradiction?, which was the first business ethics text and an international best-selling book (Hoffman, 1977). In 1982, The Journal of Business Ethics began publishing four issues per year devoted to the analysis and understanding of ethics in modern organizations. We mention this brief history in order to illustrate that the idea of ethics and ethical violations in organizations is hardly a new academic endeavor or a new corporate phenomenon. To help us more fully understand the arena of business ethics, we will examine the most common ethical lapses in organizations and then we will discuss the current state of business ethics.
Typology of Ethical Lapses

While most organizations believe that their specific ethical dilemmas are unique, J.O. Cherrington and D. J. Cherrington (1992) found that most organizations face very similar ethical dilemmas: One week in the life of the Wall Street Journal. Journal of Business Ethics, 11, 255–265. Specifically, J.O. Cherrington and D. J. Cherrington found that most organizations will face a specific list of twelve different ethical issues.

1) Taking things that do not belong to you (stealing)

Whether stealing a package of Post-It ® notes for home use or skimming millions of dollars out of a corporate account, the first major ethical hurdle many organizations have to face is theft. Sometimes the issue of theft is not clear cut. For example, is using company time for personal business theft (J.O. Cherrington & D. J. Cherrington, 1992, p. 256)? One area that has recently received attention is the use work computers for non-work/personal business, such as playing games online or chatting on Facebook.

2) Saying things that you know are not true (lying)

Gregory House, main character on the hit Fox television series House, frequently utters his basic mantra, “Everyone lies.” Whether someone is lying to get a job, keep a job, or advance in a job, people often use deception as a method for enhancing occupational options. Some occupations even require deception as an integral part of the occupation (Shulman, 2007). From hire to liar: The role of deception in the workplace. Ithaca, NY: ILR Press. Could a spy really commit espionage without a little deception?

3) False impressions (fraud and deceit)

For the purposes of the list of 12 ethical issues, J.O. Cherrington and D. J. Cherrington (1992) differentiate between general lying and what they refer to as “false impressions.”
False impressions occur when an individual purposefully represents herself or himself as something that he or she is not. The authors note, “Are you responsible for correcting others’ false impressions such as not accepting unearned praise or not letting others take the blame for your mistakes? ... Are you being deceitful when you dress for success or pretend to be successful so clients will have confidence in you?” (p. 256).

4) Conflict of interest and influence buying (bribes, payoffs, & kickbacks)

According to Desjardins (2009) Desjardins, J. (2009). An introduction to business ethics (3rd ed.). Boston: McGraw-Hill., a conflict of interest occurs when an individual’s personal interest in a business decision interferes with her or his professional judgment. Influence buying, on the other hand, is when an external party offers a bribe, payoff, or kickback to a decision maker in order to influence her or his decision.

5) Hiding versus divulging information

Information is one of the most important commodities in any organization. Ultimately, who has information and how they chose to disseminate that information can have very positive or negative ramifications for an organization and its stakeholders. For example, would you sell a product to a client, allowing them to believe that the version you are selling them is the latest technology, when you know a newer, better version is being released the following week? When is divulging information about your corporation “whistleblowing” and when is it “industrial espionage?”

6) Unfair advantage (cheating)

The idea of unfair advantage occurs when one person clearly has more power to control the outcome of a situation. For example, if you are dying of a disease and a business has the only cure, they hold all the cards. In essence, they have the ability to charge anything they want for their “magical pill” because the patient has no other options. Is this practice fair and ethical? Is it fair when CEOs are paid multi-million dollar bonuses
when thousands of employees are being laid off? Is it fair when a CEO promotes her son, when the son is not the most qualified applicant in the pool? In all three of these situations, we see individuals taking advantage of the positions they hold.

7) Personal decadence

In the summer of 2008, the major players in the United States’ auto industry flew on their private jets to Washington, DC to ask for a multi-billion dollar bailout from the U.S. Congress. When most people think of personal decadence, this type of over-the-top self-indulgent behavior comes to mind. However, decadence can also include the process of decreasing the state of oneself. For example, in the business world there are many people who work slower than necessary, turn in sloppy work, use drugs or alcohol at work, and engage in many other behaviors that clearly impact an organization’s ability to perform.

8) Interpersonal abuse

While some actions within the organization, like personal decadence, impact the larger organization, other actions directed at coworkers have direct effects on personal performance. J.O. Cherrington and D. J. Cherrington (1992) note that “physical violence, sexual harassment, emotional abuse, abuse of one’s position, racism, and sexism” are all examples of interpersonal abuse occurring in modern organizations (p. 256).

9) Organizational abuse

While interpersonal abuse includes targeted action from one member of an organization toward another member of the organization, organizational abuse stems from the organization toward the organizational members. For example, “inequity in compensation, performance appraisals that destroy self-esteem, transfers or time pressures that destroy family life, terminating people through no fault of their own,
encouraging loyalty and not rewarding it, and creating the myth that the organization will benevolently protect or direct an employee’s career” are examples of how organizations abuse employees (J.O. Cherrington & D. J. Cherrington, 1992, p. 256–257).

10) Rule violations

Every person within a society or within an organization is governed by a long list of rules. Some of these rules come in the form of religious commandments and other rules come in the form of laws set down from the judicial or legislative system. Other rules are created for specific organizational settings and are handed down in the form of an employee manual. Are there ever legitimate reasons to break these rules? Are some rules more important than other rules? When the rules in one set of documents (workplace policies) contradicts the rules in another set of documents (religious tenants), which rules should be followed?

11) Accessory to unethical acts

An accessory to an unethical act is an individual who knows that an ethical violation has occurred by another individual. This knowledge of ethical violation could come either in the form of witnessing the ethical violation or somehow helping the individual commit the ethical violation. Ultimately, individuals who find themselves in the accessory position are faced with the ethical dilemma of whether or not to report the ethical violation.

12) Moral balance (ethical dilemmas)

The idea of “moral balance” stems from a philosophical debate about individuals who are faced with the possibility that a good outcome of her or his behavior or decisions will lead to a secondary outcome that is bad. For example, an issue of moral balance is at stake when an organization wants to produce a new product that will save hundreds of
thousands of lives (primary outcome), but will destroy the fragile ecosystem of a village and make it uninhabitable for the indigenous people who live there (secondary outcome). An inverse moral dilemma could also exist: if the company does not produce the product, the fragile ecosystem of the village will be saved (primary outcome) but hundreds of thousands of lives will not be saved by the product (secondary outcome). How do you decide which option is ethical? Unfortunately, these types of ethical decisions are often the most complicated to make.

**Business Ethics Today**


1) **Taking things that do not belong to you (stealing)**

- 30% of employees believe there is nothing unethical about taking office supplies for personal use.
- 66% of employees see no ethical problems with taking a sick day when they are not actually ill.
- 72% of individuals see no ethical problems with using company technology for personal use in the workplace.
- 4% of employees admit to misusing company finances.
- 15% of employees use social networking websites for personal reasons during work hours.

2) Saying things that you know are not true (lying)

- 13% of employees have admittedly lied about the number of hours they have worked on a time-card.

3) False impressions (fraud and deceit)

- 6% of employees have admittedly taken credit for someone else’s work.

4) Conflict of interest and influence buying (bribes, payoffs, & kickbacks)

- 43% of full-time workers and 47% of part-time workers report that they make unethical workplace decisions because of financial rewards (e.g., bonus or salary increase).

5) Hiding versus divulging information

- 84% of respondents believe that openness of leadership with information contributes to an ethical workplace culture.
- 15% of employees would have no problem posting company information online if they disagreed with their employer.

6) Unfair advantage (cheating)

- 65% of individuals note that when it comes to flex-time options, leaders tend to set different rules for themselves.
• 20% of employees have admittedly treated subordinates differently due to their personal relationships and not the subordinate’s performance.

7) Personal decadence

• Only 33% of employees have never seen their supervisors performing unethical behaviors.
• 24% of employees believe there is nothing unethical about coming into work hung-over.

8) Interpersonal abuse

• 25% of employees believe it is ethical to tell a racist/sexist/heterosexist/ageist joke in the workplace.
• 9% of employees have harassed a fellow employee at work.

9) Organizational abuse

• While 92% of individuals believe that having work-life balance leads to ethical behavior, 30% of employees believe that their job does not offer them enough time to achieve work-life balance.
• 28% of individuals believe their organization causes high levels of stress.
• 13% of individuals report rigid, inflexible schedules.

10) Rule violations

• 9% of individuals believe that their personal values conflict with their organization’s values.
• 67% of employees do not see an ethical problem with dating a subordinate in the workplace.
11) Accessory to unethical acts

- Employees regularly see a variety of ethical violations in the workplace: personal advantage (57%), misuse of company property (51%), taking credit for someone else’s work (49%), lying about worked hours (39%), interpersonal abuse (32%), and misuse of company finances (18%).
- However, when confronted with an ethical violation in the workplace, 17% of employees would do nothing about the violation, 42% would inform an immediate supervisor, 17% would call a company ethics hotline, and only 4% would go so far as to contact someone outside of the organization.

12) Moral balance (ethical dilemmas)

This category is more difficult to quantify because the balancing of decisions is very much entrenched in many of the other categories. According to the 2007 Deloitte & Touche USA LLP Ethics & Workplace Survey, workers engage in ethical behavior for five basic reasons: behavior of management (42%), behavior of direct supervisor (35%), positive reinforcement of ethical behavior (30%), compensation (29%), and behavior of peers (23%). The study also noted five basic reasons why employees engage in unethical behavior: lack of personal integrity (80%), job dissatisfaction (60%), financial rewards (44%), pressure to meet goals (41%), and ignorance of ethical codes of conduct (39%). Overall, 87% of workers surveyed believed that a company’s values can promote an ethical workplace environment.

KEY TAKEAWAYS

- J.O. Cherrington and D. J. Cherrington’s (1992) created a typology of 12 ethical lapses that are common in modern business: (1) stealing, (2) lying, (3) false impressions, (4) conflicts of interest, (5) hiding/divulging information, (6) cheating, (7) personal decadence, (8) interpersonal abuse, (9) organizational abuse, (10) rule violations, (11) accessory to unethical acts, and (12) moral balance.
In a series of studies conducted by Deloitte Development from 2006 to 2010, the researchers found examples of all of J.O. Cherrington and D. J. Cherrington’s (1992) typology of ethical lapses. While some of the ethical lapses are clearly more common (e.g., 77% of participants admitted to stealing corporate time by using technology for personal uses), others did not appear to be frequent ethical lapses (e.g., 6% took credit for someone else’s work, 4% misused corporate finances, etc.).

**EXERCISES**

1. Which of the ethical lapses in modern business described by J.O. Cherrington and D. J. Cherrington (1992) contain communication components?

2. Of the 12 ethical lapses discussed by J.O. Cherrington and D. J. Cherrington, which one is the most systematic in your current workplace? Which one is the least systematic in your current workplace? If you were the CEO of your organization, what you would you do to combat the ethical lapses you identified as most systematic?
