BERNARD I. (WOODY) FRIEDLANDER

Since 1985, Woody has been the principal consultant in Venture Insights Group. He undertakes licensing, technology management, and evaluation projects and provides litigation support. He is a frequent lecturer on licensing subjects.

Woody was President of a software development company, Managing Director of a private marketing and sales promotion company and for twenty years he was involved in licensing and the transfer of intellectual property as Director of Marketing, Director of Technology Transfer Marketing, Associate Director Patents and Licensing and Business Manager—intrapreneurial new businesses for Union Carbide Corporation.

A Registered Professional Engineer with a Ph.D. in Chemical Engineering from the University of Toronto, Woody was president of the Licensing Executives Society (U.S.A. and Canada) in 1992 and he is co-editor of *The Law and Business of Licensing*.

ETHICS

CAVEAT EMPTOR YOU SUCKERS

I INTRODUCTION

Ethical behavior is a luxury of those with hefty profit margins. (NYT 2/12/89)

This presentation is subtitled"ETHICS IN HARD TIMES". In good times being ethical or moral is difficult enough - but, in hard times, times of change, when the struggle is to survive - it is a real challenge.

Corporate CEOs believe that ethics are important. They say so all the time. They include it in the mission statements and strategic plans. The CEOs are responsible for setting the moral and ethical tone and policy of the company. And in the face of all these mission statements about ethical behavior we read that the *"values of corporate citizenship have been replaced by a sense that competing and competing aggressively, is a corporate executive's highest calling, whatever it takes".* And any and all acts by corporate executives - in the interests of the shareholders, they say - are done with *"less reluctance, less ambivalence and frankly, less moral compunction".* You have to do it to survive these days. "*You don't worry about it as you might once have".* (NYT 2/12/89) And thus the beginning of our dilemma is seen.

Someone said that "cultures - read people - are introduced into behavior by what is called differential association - if you join a corrupt organization pretty soon you are likely to behave in the same way unless you are one of the very few

people who quit! (NYT 2/12/89)

25% of businessmen and women surveyed by a national business magazine said that pirating software is an acceptable business practice. How does that affect those in the software business?

Males interestingly enough, have a greater tendency to behave unethically than females. (Across The Board April 1997)

Do ethics help business? A 1986 list of companies that paid dividends for 100 years tends to coincide with those companies that gave ethics a high priority. Yet ethics is commonly joked about. "It's better to be quotable than to be honest" - Tom Stoppard. Any preoccupation with ideas of what is right and wrong in conduct shows an arrested intellectual development-Oscar Wilde

In 1990 a poem appeared in a volume of poetry. It was entitled "The Secret, One Day"

If you rob from many 100%
There could be a moral offense
A few points more, a few points less
Morality is a question of percent

Raul Salinas

Although many writers have said that concerns about the appearance of impropriety had lain dormant until Watergate ethics really became a hot topic in the eighties. In May 1987 Time magazine had a cover story "Ethics- Assaulted by sleaze, scandals, and hypocrisy, America searches for its moral bearings". At that

time 100 of Ronald Reagan's appointments were under a cloud of impropriety having ethical and or legal charges against them. And has it changed with the party or the years? It seems to have gotten much worse. Nobody trusts the government and the politicians. We expect their lies. We don't expect the truth from our national or even our state politicians. The last few years have proven beyond a shadow of a doubt that politicians have not heeded *John. III, 8* "He that is without sin among you, let him first cast a stone at her". The noisy finger pointers turn out to be the worst sinners. Look no further than the Supreme Courthouse in New Hampshire. The brokers and bankers have been shown to have no scruples either. And the chief executives of the Fortune 500! There was a cartoon that showed corporate chieftains talking and one said to the group "what we'd like to do, gentlemen, is to find a way to de-couple our profit issues from our ethics issues". And shortly thereafter there was a lengthy article in Business Week which said, "corporate executives argue that the United States should delink trade issues from other political issues including nuclear proliferation and ethnic cleansing". Then at the pinnacle of morality are the corporate lobbyists who say about themselves and their craft, "it is short sighted to call what we do lobbying - the politicians and the media and the public need to get a broader understanding of what's at stake and we tell them".

In 1992 Xerox sponsored a poll (INC. Dec 1992, p16) "Can you afford to be ethical? Everyone believes in being truthful in business. Some are just more truthful than others". 52% of those polled said that they would play by the rules,

but that they would bend them to their company's advantage whenever they could. 46% said they tell the whole truth all the time. And 2% said that all's fair in love and business, as long as you don't get caught.

It seems that the majority believed that "good ethics benefit everyone when most people practice them. But most don't and thus everyone felt that they were forced to participate in unfair and somewhat unethical practices in order to stay afloat and compete".

Being unethical is sometimes a matter of survival, pointed out one Fellow in the program Ethics and the Professions at Harvard. Shoddy practices become commonplace and multiply themselves. (Aristotle - a bad moral state....)

The ethical person is becoming an endangered species. Many of you are employees. That is you work for others. Do you believe in the Piper's Pay Principle? He who pays the piper calls the tune. Any employer is justified in saying - it's not illegal, so stifle - do it my way or get out. What should the professional piper do?

Questions of what constitutes right and wrong are very troubling. The challenge is to be ethical and get what you want! Do we tacitly accept the dominance of the organization over personal conscience? An ethicist, Josephson of Loyola Marymount, said that unethical behavior is self destructive and generates more unethical behavior until you hit the pits. (Aristotle again)

It is interesting to examine what corporations, academic institutions, non-profits say about ethics and what do they do about ethics training for their

employees and especially their professional employees. In the early '60s the route to organizational excellence was studied and taught by increasing numbers of academics and corporate thinkers. One major discovery of the times that was often referred to was that management is a science rather than an art and therefore it can be learned. A popular management theory of the time was the subject of the book "The Managerial Grid". It was said about the Managerial Grid that it had demonstrated its utility as a philosophy. (The Managerial Grid, Blake and Mouton, Gulf Publishing Co., Houston TX 1964) The word ethics does appear in the book. About ethics they explained that the manager sometimes presents a facade in order to achieve their own personal goals. This phony facade they explained is used for personal gain and short cuts are taken to achieve ends which are sometimes "not governed by commonly accepted rules for maintaining social morality". In this 350 page book there is less than 1 page - 5 paragraphs in the section on ethics. Perhaps management would have been best served had the authors only said, there is NO right way to do the wrong thing.

As we move from the early '60s to the end of the 60s and the '70s the "profession of management" began to receive wide acceptance. Seminars were taught by leading consultants including Louis Allen and others. They taught management skills to CEOs and then proceeded down the food chain through the organization. The consultants had methods for developing managers and improving management methods. They carried out continuing research to systematically identify and validate the best management practices and techniques.

By the late '70s the Louis Allen Organization stated that they had educated 385 leading enterprises that included health care, educational, municipal government and religious organizations. But nowhere could we find a reference to ethical behavior. The gurus of consulting were successful in "instilling a sense of professionalism in the participating manager, in broadening his vision and sharpening his focus on the activities which he must master if he is to excel in his critical functions of planning, leading, organizing and controlling. Every organization that was taught these methods developed their strategic plans and started with "The Corporate Charter". They did include in their charter EEO, equal opportunity, and OSHA, occupational safety and health. They said they would be good corporate citizens and respect and comply with all laws and regulations. But there was no widespread interest in or acknowledgment of ethics as a subject to be studied or principles to be taught in corporate America - read organizational America - until well after the Watergate era of the early '70s, indeed not until the '80s.

In the late '80s ethics becomes somewhat of a hot topic. And the universities begin to establish centers to study and teach ethics. Corporate charters all have an early paragraph in the mission statement that we will all operate ethically. But there have been a rash of scandals. Whistle blowers in the defense industry, sexual harassment in the pharmaceutical industry and government and the church, derivatives, insider trading, gigantic coverups in the financial industry, price fixing, outright racial and sexual bigotry. And what has

happened. Again in Business Week we find a report of "Ethics For Hire". A new cottage industry has surfaced. The business is helping companies clean up their acts. These consultants include most of the big accounting firms, the usual management consulting firms, the leading private detective agencies, law firms and non-profits. It is now a billion dollar a year industry. The template that has emerged, however, is discouraging to say the least. Nowhere in the template does it call for training in ethics and morals. It's cosmetic. The Ethics Resource Center reported that employees at corporations with "comprehensive ethics programs know the law better than workers elsewhere and are more likely to report violations, but they also felt just as much pressure to compromise standards in order to meet business objectives and said they witnessed just as much misconduct". A director of a corporate ethics program says that the 'discussion of the subject of ethics generates discomfort among executives".

Much has been said about whistle blowers in the last few years and most companies promote or at least give lip service to their support of 'whistle blowing" but the facts of life are that 65% of whistle blowers are fired!

So where do we start and who should we train? At a renowned Business School a group was made up of senior management, CEOs, CFOs, some of whom were included in the class of MBA students. In an ethical-decision making scenario 75% of the MBA students were willing to commit fraud. 40% of the corporate controllers and 47% of the top executives were willing to OK the fraud. (Across The Board April 1997)

Ethics should be taught in the public schools before it is to late. "Cheating in Our Schools: A National Scandal" the Reader's Digest article proclaims and the figures are alarming. 98% copy other's work, 68% cheat on tests and exams. A survey of 3100 top high-school students showed that 78% said they cheated and 89% said cheating was common in their schools. Why? It is easy. Everybody does it. Cheating is guiltless. If one stopped he would be at a competitive disadvantage.

A change is in the wind. Schools are beginning to stress and teach the importance of moral values and ethical behavior. It is difficult to change habits formed in elementary and high school in college and harder still to change them on the job.

What is this thing called ethics and where does it come from and how do we get our hands around the subject?

II. DEFINITIONS ETC.

The Greek roots of the English word Philosophy refer to the love of wisdom. PHILOSOPHY is the pursuit of wisdom. It's a discipline that includes logic, ethics, metaphysics, aesthetics and epistemology.

ETHICS - the word - refers to a certain branch of philosophic study and also to the subject of that study. ETHICS is the branch of philosophy that is concerned with what is morally good and bad, what is right and wrong. Ethics and morals have the same language roots. Both the Greek word *ethos* and the Latin word *mores* mean habits or customs.

The academics break the study of ethics into meta-ethics which can be said to mean analyzing the meaning and nature of good and bad, like analyzing language and normative ethics - appraising, evaluating rules of what is morally right and wrong, good and bad.

Normative ethics is critical morality. It is the study of the morals of the group taking a judgmental attitude.

ETHICS is the discipline dealing with what is good and bad. ETHICS are the principles of conduct governing an individual or group.

ETHICAL (an adjective) means conforming to accepted professional standards of conduct. MORAL (an adjective) means relating to principles of right and wrong.

III PROFESSIONS

A Profession is a calling requiring specialized knowledge and often long and intensive academic training. A Profession is - the whole body of persons engaged in a calling. The self-governing professions - medicine, law, engineering - have a contract with society founded on trust. The Public trusts the members of a profession to use their skills and judgement in the public interest. In return, professionals are give a protected title and scope of practice.

Was GBS right? (Slide)

Professional organizations such as the American Medical Association, American Bar Association, Society of Professional Engineers each have Rules of

Professional Conduct and disciplinary proceedings may occur if a member is alleged to have broken a rule. These codes of professional conduct or rules are a minimum standard. That is if you do not act according to the rule or standard you are guilty - you are wrong. It is a minimum standard below which conduct may not fall. And we find justification for doing the minimum.

Professional Codes give rise to red light - green light ethics. Anything not specifically forbidden is permissible! A legalistic mentality. But, moral issues involve obligations such as honesty, confidentiality, public safety, avoidance of conflict of interest - is it not unacceptable to say "but my actions were perfectly legal"?

An ethicist might define minimum standards of behavior and/or she might set targets for behavior. Targets well above the Professional code. These targets, goals or aspirations might be beyond the reach of most individuals. This level of behavior can not realistically be reached. So what is the solution? Is it what is practical? And immediately are we asked "are we ducking the issue by saying let us be practical?

The Greeks - Aristotle in particular believed in the idea of a "good man" - absolute excellence. Obviously beyond which I can achieve - but something to which I can aspire. I may fail to achieve that to which I aspire - but that doesn't indicate wrongdoing. Aristotle said "*we study or read ethics not in order to know what good men are like, but in order to act as good men do*".

Professor Fuller (The Morality of Law, Rev. Ed. 1969) talks about a morality

of duty (minimum standards) and morality of aspiration. He describes for us a scale running from the minimum standards to the loftiest aspirations and then he says there is an indicator marking the place where the pressure of duty leaves off and the challenge of excellence begins. Who decides where this point is on the scale? Who moves it up or down? Where is it? This is a question that is constantly being argued.

IV PROFESSIONALS STUDY ETHICS

Textbooks are not in short supply for law schools and lawyers nor for engineers and others. Titles such as Engineering Ethics and Professional Responsibility address the law of professional responsibility and approach the subject by examining problems and referring to or measuring against the "rules" of the bar association or engineering society or statute and of course referring to the cases or the "Code of Ethics " of the engineering society.

But how do we solve problems? We can use an algorithmic or an heuristic method.

The Algorithmic Method involves a set of steps that if followed give the correct answer. The Heuristic Method involves a set of steps involving systematic trial and error, insight, creativity, self-educating feed back, analytical reasoning, practice and experience. The Heuristic Method may help in problem solving but it does not guarantee success in a finite number of steps.

THERE IS NO KNOWN ALGORITHMIC METHOD FOR SOLVING ETHICAL

PROBLEMS.

So we can study cases and based upon the society's rules and the court rulings or the legislature's acts and determine whether actions will keep us from censure, disbarment or worse. Again the minimum.

V. GOALS AND OBJECTIVES

Too many times we confuse moral and ethical, right and wrong with technical competence. Negligence is defined as not carrying out the duty of care. One must take the precautions and exercise such care as would the solid citizen and a professional must meet the higher standards of her profession. So we find standards of professional competence.

If we imagine that there is a red light/green light ethical standard this leads to a legalistic approach that will end up setting some minimum standard.

QUERY: DOES THE STANDARD CHANGE WITH THE COUNTRY?

We talk about market research and corporate espionage all the time. How to obtain other company's secrets by methods absolutely legal if ethically dubious. The line between unethical and illegal is very often badly drawn. From sifting garbage to stealing employees. From phony interviews to library studies. The stakes are huge. Look at some damages awarded for over zealous actions.

On a personal basis then how do I view my duties? I have a legal duty, a professional ethical duty and a general moral duty. Designing below safety limits to save dollars or kiting checks to solve temporary liquidity problems may both be

violation of legal duties - negligence or worse. Treating others with courtesy is not a legal duty. Perhaps a professional society would find abuse a breach of professional duties and censure or rebuke the abuser. And last is this general moral duty. How to enforce? Bring the dirty dog before the bar of moral justice somehow. Talk to him and make him feel remorse, guilt, shame. Make him apologize. Or do we bring him to the attention of the community and let the community act as you might have.

Is it my duty to maximize my own good(ness) or is it my duty to promote the maximum good for everybody in the community - the general good? Think for one moment about the HIV infected person who discloses their ailment in confidence to the therapist and admits that they are continuing to have intimate contact with others. To disclose or not? What if it were the ebola virus? Is a little bit of ethnic cleansing in the Balkans OK? When does the moral indicator start to approach holocaust? Doing business with human rights violators, joint ventures in dictatorships etc.

These are all troubling questions of individual and group morality. How do you determine if it's ethical?

VI THE ETHICS TEST

"Grub first, then ethics" - Bertolt Brecht. There is no right way to do the wrong thing.

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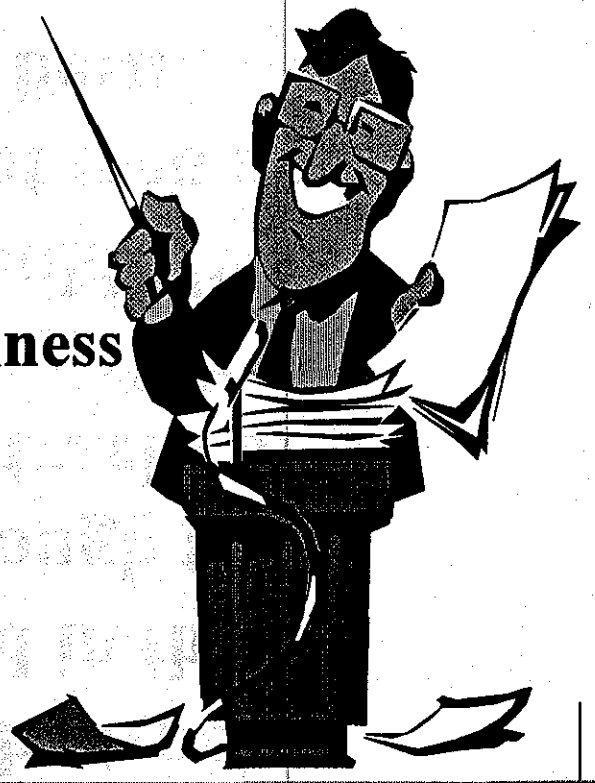
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ABA Model Rules of Professional Conduct restatement, 1983

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Ethics

- No thanks, we have them all
- They're in the corporate charter
- We only use them outside of business



Men nearly always follow the tracks made by others and proceed in their affairs by imitation, even though they cannot entirely keep to the tracks of others or emulate the prowess of their model. So a prudent man should always follow in the footsteps of great men and imitate those who have been outstanding."

Machiavelli

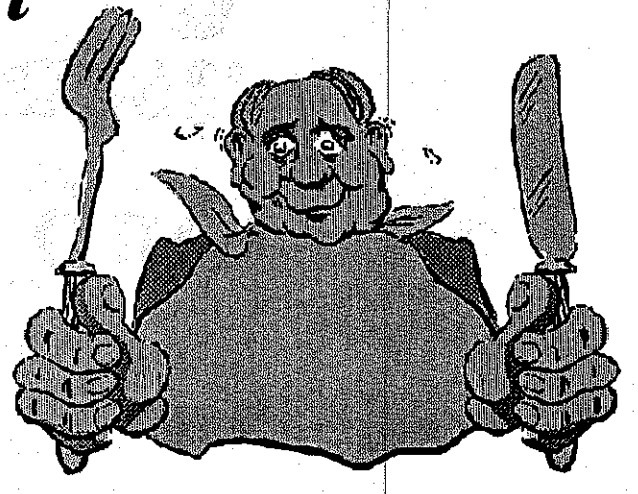
"It's better to be quotable than to be honest."

Tom Stoppard



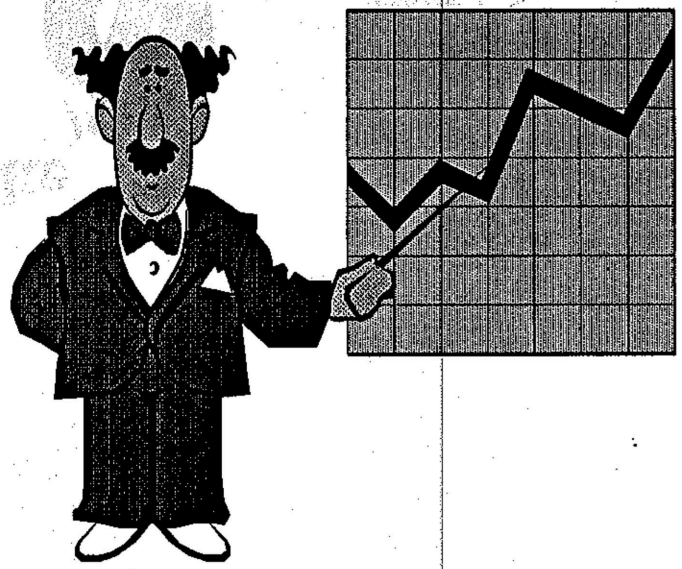
"Grub first...then ethics."

Bertolt Brecht



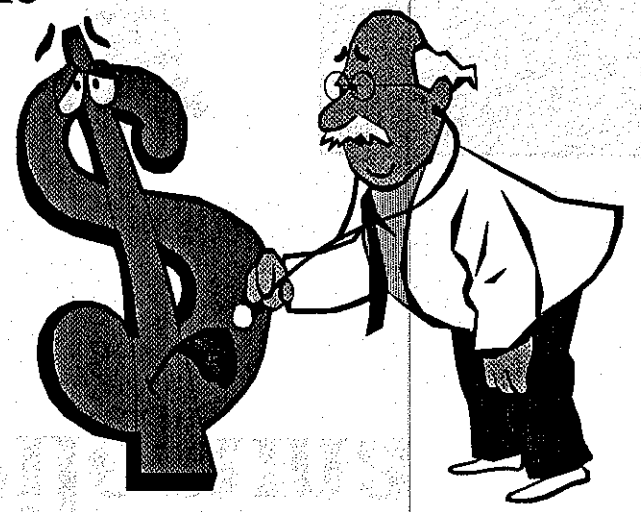
Corporate Dilemma

How to decouple the profit issues from the ethical issues



Can you afford to be ethical?

- 52% play by the rules
- 46% bend the rules to take advantage



"A bad moral state, once formed, is not easily amended."

Aristotle

"Moral virtues, like crafts, are acquired by practice and habituation."

Aristotle

Philosophy

The pursuit of wisdom

Ethics



The discipline dealing with what is good and bad



Ethical

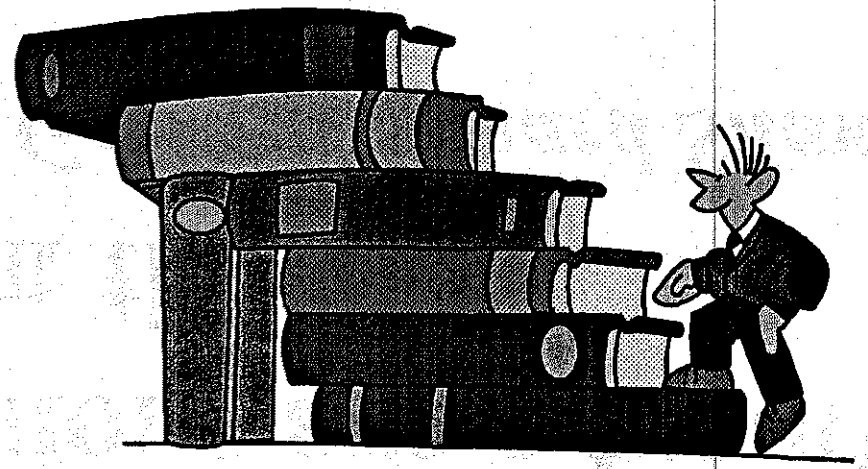
- **Conforming to accepted professional standards of conduct**

Moral

- Relating to principles of right and wrong
- Conforming to a standard of right behavior

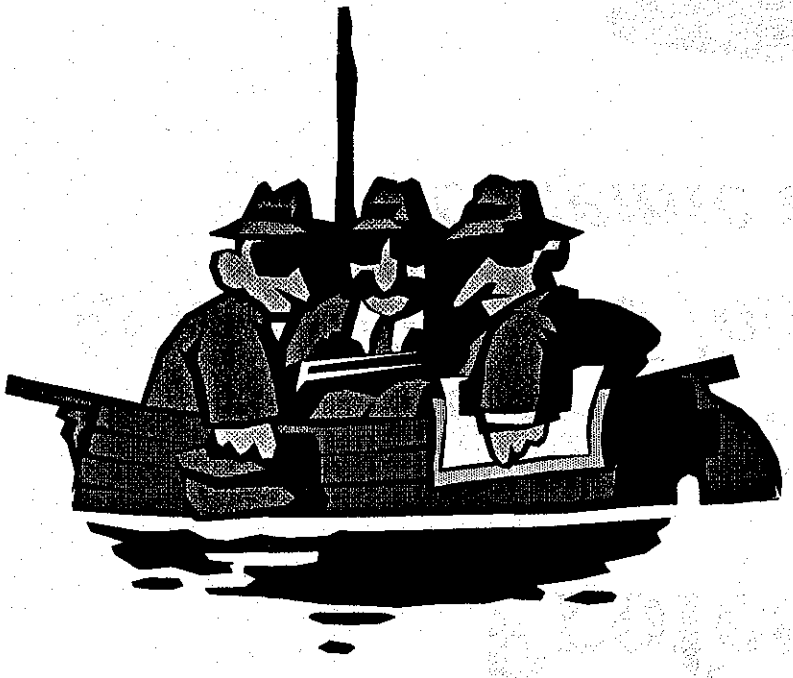
Profession

A calling requiring specialized knowledge and long and intensive academic training



All professions are a fraud upon the laity

George Bernard Shaw

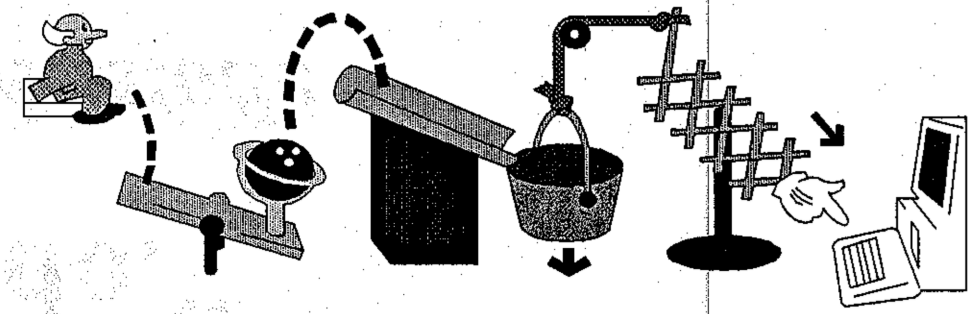


"We study or read ethics not in order to know what good men are like, but in order to act as good men do."

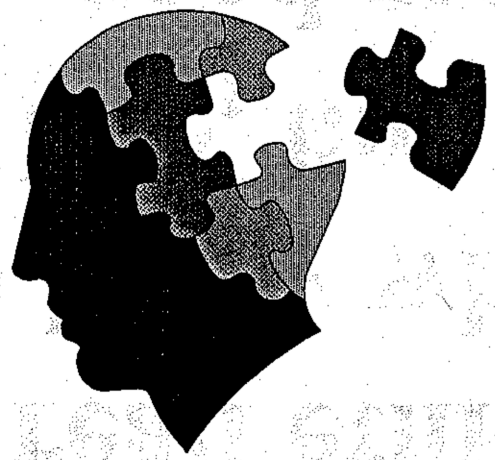
Aristotle

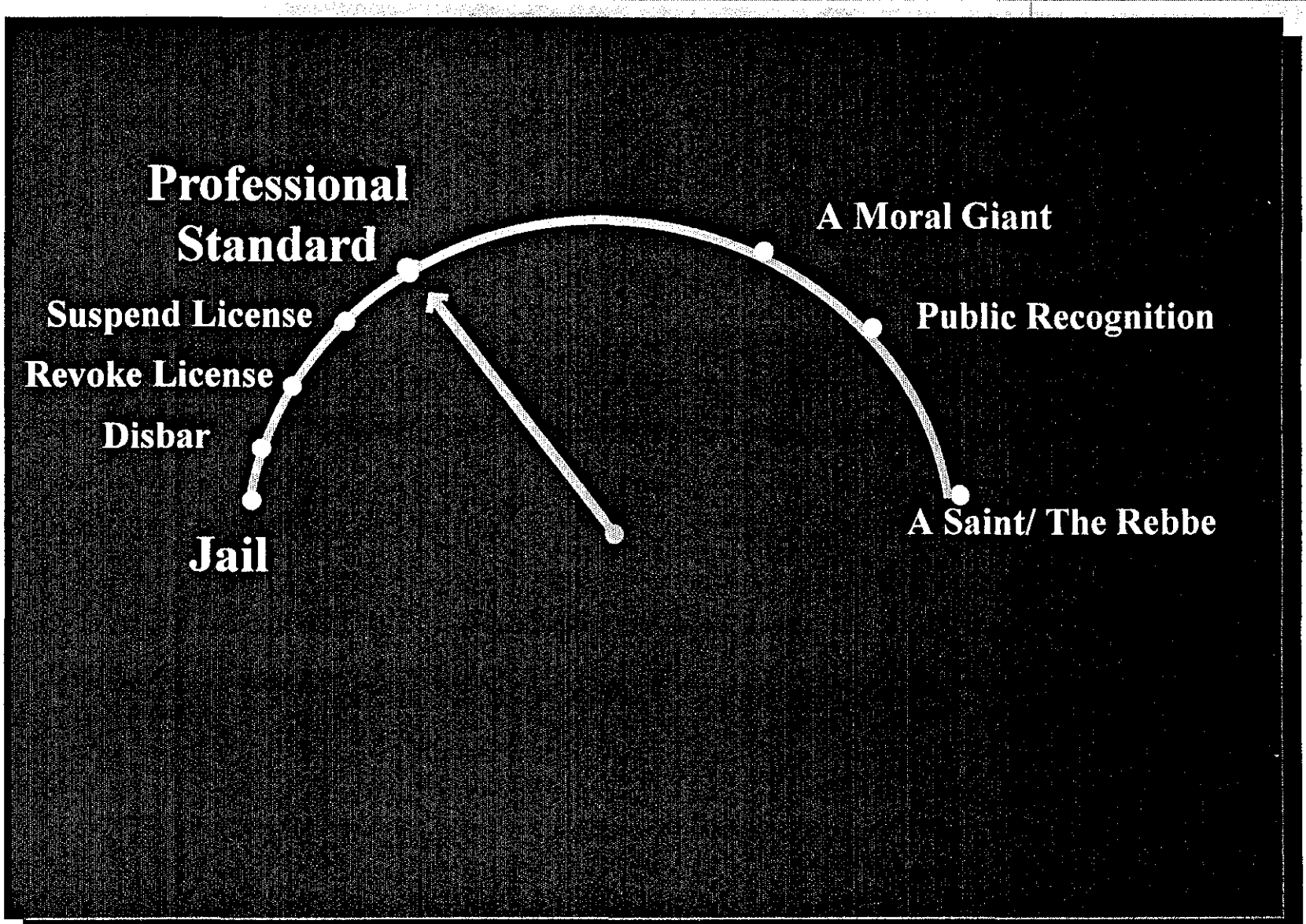
Problem Solving Methods

Algorithmic



Heuristic



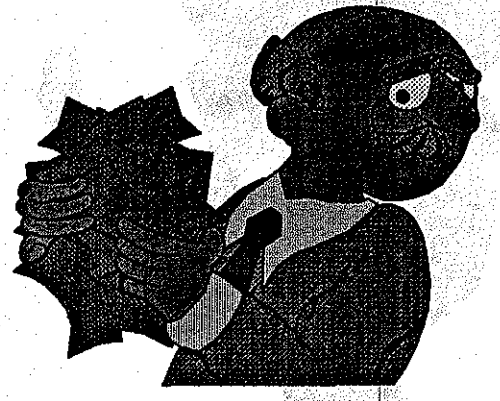

Professional Standard
Suspend License
Revoke License
Disbar
Jail
A Moral Giant
Public Recognition
A Saint/ The Rebbe

Gifts and Considerations



Ethics Test

- **Is it honest?**
- **Is it fair?**
- **Can I justify it publicly?**



Nice guys may appear to finish last, but usually they're running a different race.



There is no right way to do the wrong thing

