

Thinking, Fast and Slow

ETHICAL INTUITIONS AND REASONING

Learning Objectives

On completion of this chapter, the reader should be able to do the following:

- LO 3.1: Understand the relationship between intuition and reason by distinguishing between fast and slow thinking.
- LO 3.2: Identify the complexities of self-interest.
- LO 3.3: Explain the cognitive limitations and biases that prevent human beings from making rational decisions.
- LO 3.4: Recognize the role intuitions play in ethical decision-making.
- LO 3.5: Apply the weight-of-reasons framework to check the role that after-the-fact rationalization plays in ethical choices.

*We humans . . . are
selfish primates
who long to be of
something larger and
nobler than ourselves.
We are 90 percent
chimp and 10 percent
bee. ”*

—Jonathan Haidt,
The Righteous Mind (2012, p. 255)

Introduction

LO 3.1: Understand the relationship between intuition and reason by distinguishing between fast and slow thinking.

The previous chapter presented recognized approaches to thinking about ethics, focusing on deontology and utilitarianism and showing how they are built into the weight-of-reasons approach, Steps 4 and 5 in particular. Yet, as discussed in Chapter 1, some modern-day thinkers doubt whether reason really governs ethical choices. They point to an intuitive approach to ethical decision-making in which people instinctively act based on what they sense to be right and wrong or good and bad and use logic only to justify what their innate sentiments tell them to do. These thinkers maintain that people find it difficult to formulate and articulate logical arguments to defend their ethical choices. People generally do not impartially weigh the evidence and apply rules of logic when they make ethical choices; rather, logic stays in the background, and to the extent that people rely on it, it serves as an after-the-fact justification for choices already made.

This chapter addresses this challenge to the primacy of logic in ethical decision-making by considering the relationship between intuition and reason. The rapid, intuitive approach to making ethical choices is *fast thinking*, while the use of logic is *slow thinking*. We identify the traps associated with fast thinking and argue that slow thinking, of which applying the weight of reasons is an example, need not be subordinate to nor a rationalization of fast thinking. Slow thinking can help us recognize and correct our innate biases and leads us to refine and improve on intuitions so that we make better choices.

Fast Versus Slow Thinking in Ethics

In the book *Thinking, Fast and Slow*, psychologist and economics Nobel Prize winner Daniel Kahneman distinguishes between System 1 and System 2 thinking (Figure 3.1).¹ Kahneman borrowed the term from brain scientists Keith Stanovich and Richard West.² **Fast thinking**, or System 1 thinking, is a rapid, automatic, unconscious, effortless, and intuitive approach. Through it one can know or understand something nearly immediately, without doing any conscious, intentional reasoning. Professors Richard Thaler and Cass Sunstein call System 1 “the automatic system.”³ People rely on fast thinking almost constantly to respond to events in their environment. When we swat a fly, we rely on fast thinking. In fact, there are times when people make very consequential decisions in their lives based on fast thinking, even decisions they should make carefully (e.g., taking a new job, buying a house, making a big capital investment decision for a company, or investing in a stock).

In contrast, **slow thinking**, or System 2 thinking, is an analytical approach, where reason and not intuition dominates. Slow thinking is controlled, deliberate, and effortful. Thaler and Sunstein refer to System 2 as “the reflective system.”⁴

Fast thinking

Thinking that is automatic, effortless, and intuitive (also known as System 1 thinking)

Slow thinking

Thinking that is controlled, deliberate, effortful, and involving reasoning

FIGURE 3.1 Fast Thinking (System 1) and Slow Thinking (System 2).

People use slow thinking much less frequently than fast thinking. Applying the weight-of-reasons framework is an example of slow thinking. The reason we engage in fast thinking more than slow thinking is that we have *bounded rationality*, a term we introduced in Chapter 1 that refers to our limited cognitive capacity. We do not have the mental capacity to deliberately make sense of all the information in our environments. In addition to leading us to rely on fast thinking, bounded rationality also leads us to take shortcuts rather than doing full-blown analysis when we engage in slow thinking.

Among psychologists, there is debate about the relationship between fast and slow thinking. **Dual-process theory** in psychology proponents see intuitions and reasoning as separate and operating in entirely different parts of the brain. Each is triggered according to different circumstances; sometimes one will be triggered, sometimes the other, and sometimes both simultaneously.⁵ Kahneman and his colleague Shane Frederick view the relationship between System 1 (fast) and System 2 (slow) thinking like this: “System 1 quickly proposes intuitive answers to judgment problems as they arise, and System 2 monitors the quality of these proposals, which it may endorse, correct, or override.”⁶ As a form of System 2 thinking, the weight-of-reasons framework can be usefully employed as a check on System 1’s snap judgments.

Proponents of an **integrated theory** in psychology such as Jonathan Haidt take a different view of the relationship between fast and slow thinking. They support the insights of David Hume, the 18th-century Scottish philosopher who wrote that “reason is . . . the slave of the passions” and can only “serve and obey them.”⁷ According to Haidt, humans are not designed to heed the voice of reason. Their ethical reflections are simply self-serving rationalizations created after the fact to justify their actions to other people.⁸ Haidt’s view is that humans are not information processing machines collecting data through their senses and then making objective, rational calculations about how to use this information. Rather, Haidt and his colleagues have found that people are born with innate intuitions of what is ethical and, whether they admit it or not, mostly make rapid-fire System 1 ethical decisions based on these intuitions.⁹ The research of Haidt and his colleagues shows that people sometimes consider certain behaviors unethical because the behaviors arouse an innate feeling of disgust, not because they are able to make rigorous arguments that the behaviors have negative consequences or violate other human

Dual-process theory

A theory that proposes that intuition and reasoning are separate and occur in different parts of the brain

Integrated theory

A theory that sees fast and slow thinking as originating from a single system—fast thinking occurs first and is predominant, and slow thinking justifies the decisions of fast thinking

beings' basic rights. Haidt's viewpoint is that fast and slow thinking are parts of a single system in which people rely on fast thinking to make ethical decisions and slow thinking to defend these decisions.¹⁰

Haidt's perspective would seem to undermine the value of using the utilitarian and deontological approaches to ethical reasoning central to moral philosophy. If people act based only on what they intuitively feel, what purpose do these approaches serve? Efforts to employ logic in making ethical choices are rather pointless and are just a clever cover for sentiments such as disgust, revulsion, sympathy, and compassion, which actually govern what people do. In their marketing campaigns, companies often exploit this tendency of people to choose based on feelings rather than logic. Toymakers, for instance, manipulate people into loving and taking care of inanimate objects such as dolls and teddy bears. Meanwhile, because of feelings of disgust and revulsion, the same people may stigmatize and dehumanize drug addicts and the homeless, who, unlike dolls and teddy bears, are human beings. Haidt suggests that people make the Dalai Lama into a "rock star" not because of rational arguments but because of the *emotions* the Dalai Lama elicits to sympathize with victims of tragedies and be concerned with the plight of strangers.¹¹ Dual-process theorists disagree with Haidt's view that feelings always prevail over reason. System 1 is powerful, they acknowledge, but System 2 also plays an important role. They argue that although sometimes people are driven by their moral intuitions to the exclusion of System 2, sometimes System 2 dominates and people choose carefully based on deliberation and reflection.

The main point of this chapter is that both fast and slow thinking—intuitions and reason—are involved in ethical choices in business. Intuitions enable us to carry out information processing efficiently and are useful in responding to simple and familiar ethical dilemmas. In such cases, careful deliberation may not be necessary. However, when problems are complex and unfamiliar, relying on fast thinking alone can be a trap. It can lead to decisions made by force of habit, social shame and guilt, the rewards and punishments of authorities, and rigid adherence to legal standards. In these cases, approaches to slow thinking such as the weight-of-reasons framework are needed. Inevitably, although you will start your consideration of ethical dilemmas with intuitions, use of these frameworks enables you to take a second look, clarify alternatives, establish priorities, craft values, and find better solutions. An approach to slow thinking such as the weight of reasons, by acting as a check on emotions, can improve our choices. We can turn to the weight-of-reasons framework for guidance to prevent harm and to do good.

Self-Interest

LO 3.2: Identify the complexities of self-interest.

LO 3.3: Explain the cognitive limitations and biases that prevent human beings from making rational decisions.

Many models of human decision-making start with the premise that we act based on fast thinking to advance our **self-interest**. According to these models, no action is really ever taken entirely out of concern for others or to adhere to an abstract principle. Rather, people engage in acts of kindness because they expect to benefit.

Self-interest

The motivation to take actions that benefit oneself

The evolutionary biologist Richard Dawkins wrote in 1976 that we have “selfish genes.”¹² That is, according to Dawkins, people have evolved to be fundamentally concerned about themselves because that is what has enabled us as individuals to survive.¹³

The inclination toward self-interest generates cooperative transactions that are fundamental to capitalism. Adam Smith (1723–1790), who is recognized as the originator of modern economics and the intellectual forebear of capitalism, identified self-interest as the mechanism (the “invisible hand”) that guides societies toward a more desirable state than that which would be attained if individuals acted purely altruistically and with the intent to directly benefit others. In a famous passage of *The Wealth of Nations*, Smith wrote that

it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities but of their advantages.¹⁴

This passage suggests that for Smith, a person satisfies her or his self-interest by having sympathy for the self-interests of others. Smith posited that humans must often look to others for help and that they receive this help by engaging in trades that enlist the “self-love” of others for their benefit. In other words, to get what you want in business and in life, you must be able to clearly demonstrate that you can provide others what they want.

Smith’s conceptualization of self-interest is quite broad. In *The Theory of Moral Sentiments*, he describes humans as having many passions: bodily passions, such as hunger and the desire for sex; imaginative passions, such as love; unsocial passions, such as resentment and hatred; social passions, such as generosity, kindness, and compassion; and purely selfish passions of joy and grief. According to Smith,

the market is not a neutral setting for rational calculation but rather a place where all these emotions play a role. For Smith, these passions enter into the intimate relations that people have with others in the market. Smith believed that to be successful in the marketplace one must have sympathy, which he defined as “fellow-feeling with . . . passion.”¹⁵ He argued that the self-interest displayed toward others cannot be coarse and narrow. If others are to trust and want to do business with you, you cannot base your relations with them on the one-sided wish to take advantage of them.

Psychologists have uncovered additional insights into the complexities of self-interest, demonstrating that there is more to it than getting as much money or pleasure as possible. We now discuss four of these complexities. They are (1) the tension between short- and long-term gratification; (2) the inclination to advance



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Adam Smith saw deep understanding of others as an important element of self-interest.

our interests by cheating, but as we shall see, only a little; (3) our concern not for actually being ethical but rather for other people thinking that we are ethical; and (4) the cognitive biases that prevent us from making decisions that actually benefit us.

Short-Term and Long-Term Gratification

Fast thinking drives us toward both immediate and long-term gratification. In Walter Mischel's famous 1963 marshmallow experiments, children were offered an appetizing treat—for example, a marshmallow, cookie, or pretzel—and told that they could either eat it immediately or wait and have two portions later. Mischel found that about one-third of children were able to delay their immediate gratification and obtain an extra treat. Mischel also conducted a follow-up study in which he assessed how the participating children fared later in life. He found that children who delayed their gratification tended to be happier, wealthier, and even wiser (as measured by SAT scores). On the other hand, the children who quickly indulged tended to experience later outcomes such as incarceration and drug use. This research suggests that long-term business success requires instilling in yourself and your company the inclination to delay gratification.¹⁶

The implication of the marshmallow experiments for applying the weight-of-reasons framework is that in assessing the consequences of possible courses of action (Step 4 of the framework), managers should consider both short- and long-term consequences. The experiments also suggest that managers should hire employees who have strong self-discipline and establish incentives and a working environment that encourages acting on long-term rather than short-term inclinations.

The results of the marshmallow experiments must be interpreted carefully, because numerous factors could influence subjects' decisions. For example, according to a follow-up study, children who delayed gratification tended to be from families that were already wealthy; therefore, they were not anxious that a second portion wouldn't come. Poor children, in contrast, tended to indulge immediately since they had no faith that future rewards would come.¹⁷ In Chapters 4 and 6, we further discuss the influence of local and organizational influences on ethical choices.

THE CASE OF THE WHITE-COLLAR CRIMINAL WALTER PAVLO

White-collar criminals almost always fail to delay their gratification; as a consequence, they sometimes end up in places they do not want to end up, such as in prison. An instructive case is that of Walter Pavlo. In a segment of the Moth radio show, he describes a personal odyssey filled with

misery and regret. Pavlo always thought of himself as a good person who did the right thing. From a Catholic family, he went to religious schools and was an altar boy. His parents expected a lot from him as he was the first in his family to attend college. He earned an engineering degree and an MBA.

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At the age of 29, he moved into a gated community in Atlanta with his wife and two young sons. He worked for a telecommunications company, where he quickly became a department manager. This required that he collect long distance bills from clients.

Some of Pavlo's clients were fly-by-night operators involved in criminal activities like gambling, money laundering, and prostitution. Often, when he tried to collect from them, all he found was a vacant laundromat or college dorm room. As long as his company's financial performance was good, he was well regarded and rewarded for his efforts, but when the company's financial performance started to weaken, he came under greater pressure. If he could not collect all the debts, his superiors told him, he should cover them up to keep the bad news from shareholders. Pavlo figured out a creative way to do what his superiors asked and masked millions of dollars of uncollectible debts owed to the company. Yet he started to hate himself and discussed quitting. He mentioned his dilemma to a high-flying friend who had become wealthy quickly. According to Pavlo, the friend said to him,

Don't quit. Give me the lists of customers that owe your company money and I will represent myself as a middle man and negotiate partial payments. You cover up the debts as usual and we can split the money, depositing it in Cayman Islands banks.

His friend then added, "Everyone cheats. How do you think people get ahead?"

Pavlo first resisted his friend's proposal but then succumbed and gave his friend the name of a creditor. The friend collected \$250,000 and deposited the money in an offshore bank account he shared with Pavlo. Pavlo cleared the debt from company books. Cheating six customers in six months, Pavlo and his friend put away more than \$6 million, but Pavlo was miserable, frightened, near to having a nervous breakdown, downing pills, drinking heavily, and avoiding contact with people with whom he usually socialized. Then, his supervisor discovered the debts he had cleared. Put under a U.S. attorney's investigation, Pavlo feared the FBI (Federal Bureau of Investigation) was watching him, following his every move, listening to phone calls, and recording his conversations.

Distraught, Pavlo went on a three-day drinking binge and collapsed, knowing he would have to go to prison. Convicted of money laundering, wire fraud, and obstruction of justice, he spent more than two years in jail. When Pavlo reentered society, his wife divorced him. Penniless at the age of 40, he had to move into his parents' home and try to start over. His short-term scheme to get rich quick led to long-term pain and suffering. He became a lecturer for the FBI, appearing at top business schools and accounting firms with the following message: "All of us are capable of such a crime, nobody is immune. I did it, and you can do it. So let's be honest . . . about what can happen to anyone in . . . business."¹⁸

Pavlo's story illustrates what can happen if the short-term inclination to pursue narrowly defined self-interest overtakes what is in one's long-term best interests.

Cheating, but Just a Little

Another way in which self-interest is complex is that for most people the inclination to get what they want is in tension with their self-image of being honest. This tension manifests as a tendency to cheat in small ways. Research by social psychologist Dan Ariely suggests that almost everyone engages in cheating, but typically just a little because we are also constrained by the need to be able to look in the mirror and feel good about ourselves.¹⁹ Most people are not psychopaths or complete "bad apples"; they have limits on how far they will go in pursuing narrow self-interest. They do not get out of control entirely like Pavlo did and cheat a lot. Our internal

desire for integrity works to keep us from acting in grossly immoral ways. At the organizational level, it prevents the normalizing of deviance and unethical behavior from getting totally out of control.

Ariely devised an experiment in which he gave 20 simple math problems to students to solve in 5 minutes. On average, the students correctly solved four problems. Then, Ariely gave the same problems to another group of students. This time he asked the students to do their own grading and tell him how many problems they had solved. For each answer they got right, they received a monetary reward. The students were told to tear up the answer sheets so that there would be no evidence of their cheating. Ariely found that the students on average reported that they got seven answers right. They cheated, but just a little. Very few of the students were complete “bad apples,” claiming to get all the answers right. Ariely explains that the results show that people tend to take advantage of small opportunities to cheat, but doing more would be an affront to the need to maintain an ethical self-image. Our inclination to maximize our benefit is constrained by opposing sentiments of shame and guilt if we move beyond certain self-imposed limits.

Ariely tried different variants of this experiment. He tested an economist’s “rational-actor” perspective that people would cheat less if cheating came with higher penalties or the probability of getting caught increased, but he found no change in behavior. The participants in his experiments still cheated just a little, suggesting that the internal inclination for integrity tends to be a stronger restraint than the prospect of punishment in some situations. Ariely also tried another approach to see if an appeal to morality would change people’s behavior. Prior to the experiment, he asked some participants what the Ten Commandments were, and he asked other participants to name the previous 10 books they had read. Ariely found that the participants asked to recall the Ten Commandments tended not to cheat, while those asked to recall the books that they had read continued to cheat. As a further test, he told a group of participants at MIT (the Massachusetts Institute of Technology) and Princeton University to recall their school’s ethics codes. At both schools, students who were reminded of their school’s ethics codes cheated less than those who did not receive the reminder. The reminder worked even at MIT, which did not actually have an ethics code. Ariely concludes that a reminder of morality makes a difference because it makes it harder for us to feel good about ourselves when we cheat.

Ariely suggests that these experiments apply to behavior in corporations. Few employees are complete “bad apples.” However, most “game the system,” finding ways to take advantage of inconsistencies and imperfections in the way rules are written. We have flexible psychological makeups that enable us to continue to feel good about ourselves even if we cheat just a little. This tendency to cheat can be problematic for organizations, because many small acts of cheating can result in large-scale ethical breaches in aggregate. This is why it is so important for organizations to make it absolutely clear that certain behaviors are completely unacceptable, no exceptions. They must regularly remind their employees of their ethical obligations if they hope to evoke the boundaries of acceptable norms and suppress the narrow pursuit of self-interest. If these reminders are to be effective, they cannot be stale. They must be fresh or else they will have little impact.

Ariely's studies show that the amount to which people cheat varies by circumstance. For example, it increases with "psychological distance"—the distance between people physically, socially, or in time. Ariely finds that bankers are more likely to cheat borrowers where there is great physical distance between themselves and the people whose lives they affect. Another example is pirating Internet music. Because people are distant from the musicians to whom they listen, they are able to rationalize that the musicians want people to hear their music even if they don't pay for it, that record company executives are corrupt, and that they would not download the music if they had had to pay for it. Downloaders, according to Ariely, see themselves as freedom fighters not as thieves.²⁰ On the other hand, illegal downloading likely would decrease a great deal if the downloaders knew the musicians or had to interact with them frequently. In the next chapter, we provide additional discussions of how contextual factors such as psychological distance influence ethical decision-making.

In sum, research shows that people are at war with themselves when they act on the basis of their self-interest. They are driven simultaneously by the desire to gain something that is not rightfully theirs and the desire to uphold the self-image of being an honorable person. Most people are constrained by ethics, at least to some degree, even when nobody else is looking.

Perception of Being Ethical

So far, we have presented two insights about self-interest: first, that it has short- and long-term aspects, which may conflict with each other, and second, that it includes both a desire for gain (even if illicit) and a sense of morality, which also can be in conflict. A third complexity, and one that has important ethical implications, is that we recognize that we can advance our self-interest not by being honest and fair but rather by managing other people's perceptions so that they think that we are honest and fair. Psychologist Philip Tetlock argues that we are *intuitive politicians*, concerned with our reputations rather than representing ourselves accurately. We try to persuade others of our honesty regardless of how we actually behave.²¹ In other words, sometimes we advance our self-interest by lying.

What is lying? In the previous chapter, we raised this question of whether advertisements for fat-free ice cream that aim to mislead, while being literally true, are lies. Lying, according to psychologists, is the effort to *deliberately* mislead; thus, a person can lie even when telling a literal truth, if the intent is to create the wrong impression. Many product labels and advertisements lie with a literal truth.

Psychologists have demonstrated that people lie frequently. Professor Bella DePaulo had participants record in a notebook how many times they lied each day. They admitted to doing so at least once a day.²² Another psychology professor, Robert Feldman videotaped college students getting to know one another. He had the students watch the videos to figure out how much they had lied. On average, he found, they lied three times a minute. Feldman concludes that lying is part of the fabric of everyday life.²³ Children learn to do it from their parents; for example, a father may tell a child to tell a caller he is not home.

Few people are wholly honest all the time and often “shade the truth.” For example, companies “manage” their quarterly earnings to make their performance look better than it actually is, and people on the job market construct their résumés in ways that exaggerate their past accomplishments. Politicians “spin” the truth or lie outright, such as when they present ideas or proposals in ways that conceal negative or controversial aspects. In sports, such as basketball or football, coaches teach deception—a head fake to make a basket, for example. Some lies are not unethical if they occur in a context in which they are accepted such as the head fake, while other lies actually are innocuous and agreeable. Most people accept the “little white lies” of everyday life if they are meant to prevent discomfort, embarrassment, or shame. If people were totally blunt, then social interactions might become much more unpleasant and unproductive. (Recall Aristotle’s golden mean; honesty becomes a vice when pushed to the extreme.) If the ends justify the means and the lies cause no harm or do some good, from a utilitarian perspective they would be allowed, but based on Immanuel Kant’s absolute morality they are never tolerated.



We want people to believe that we are honest even if we are not.

DePaulo’s research makes an important distinction. She examines the difference between lies told for the benefit of others and lies told solely for our own benefit. Do we lie to spare other people’s feelings, avoid conflict, and prevent embarrassment, or do we lie to look better, feel better, and get what we want even at others’ expense? DePaulo’s research shows that people are twice as likely to engage in self-serving as opposed to altruistic lies. Yet she makes another important distinction. She also finds that the main reason people engage in self-serving lies is not material reward. Rather, their main motive in lying is to be respected, impress other people, be liked, and avoid embarrassment. Note again how complex and contradictory self-interest is. Even when it seems on the surface that people lie for monetary gain, such as in the Wells Fargo fraud scandal mentioned in Chapter 1, they may be expressing deeper motivations related to the need for power, acceptance, and respect.

In sum, self-interest is complex and full of contradictions. There is no reason to assume that the pursuit of self-interest necessarily corresponds with monetary rewards or maximizing returns to shareholders. As we act in our self-interest, we navigate between the tensions of the short term and the long term, between material gain and self-image, and between self-regard and the regard of others. As Freud argued long ago, conflicting motivations tear us apart.²⁴ You may believe that if you act in ways that are unethical so long as you can live with yourself and not get caught, it is not a problem; but if you slow down and engage in ethical reasoning, you may reach a different conclusion.

Cognitive Biases

Heuristics

Decision-making shortcuts or “rules of thumb,” found in both fast and slow thinking

Cognitive biases

Systematic errors that result in suboptimal decisions. Examples of cognitive biases include fundamental attribution error, confirmation bias, escalation of commitment, status quo bias, and stereotyping, among many more

Fundamental attribution error

The cognitive bias in which one attributes another person's behavior or performance to their internal characteristics while ignoring external factors

Confirmation bias

The cognitive bias in which one places too much emphasis on information that confirms one's existing beliefs, while ignoring or dismissing disconfirming information

Escalation of commitment

The cognitive bias in which one continues following a course of action because of a commitment to that course, even though continuing to follow the course will lead to negative outcomes

Another complexity of self-interest is that in making decisions about how to act in our own best interests, we often make mistakes. Although economic models tend to portray humans as rational actors who make intentional decisions that advance their self-interest, as we have already noted, this is not an accurate portrayal of how we make many decisions. Behavioral psychologists have demonstrated that we rely on numerous cognitive biases that lead us to make decisions that do not maximize our self-interest.

To use our bounded rationality (finite cognitive capacity) efficiently, we often rely on **heuristics** when making decisions. Heuristics are decision-making shortcuts or “rules of thumb.”²⁵ We use some heuristics unconsciously when doing fast thinking, while other heuristics are conscious strategies that we apply when engaging in slow thinking. Heuristics can be useful in solving problems and achieving our aims. Psychologist Gerd Gigerenzer has demonstrated that under certain conditions, such as when people don't know much about the problem they face, heuristics enable them to make decisions not only more quickly but also more accurately than more systematic, information-intensive, slow-thinking decision-making processes.²⁶ Gigerenzer considers heuristics to be an important part of human beings' cognitive “adaptive toolbox.”²⁷

Unfortunately, though, heuristics can manifest as **cognitive biases**, which are systematic decision-making errors that lead us to make less than rational self-benefitting choices. Psychologists such as Kahneman and Tversky have identified dozens of cognitive biases. Some have important implications for ethical decision-making:

- **Fundamental attribution error**, referred to in Chapter 1, occurs when we attribute someone else's behavior or performance to their internal characteristics while ignoring external factors. An example would be when a manager blames an ethical violation on a particular individual, while failing to address the systemic factors (organizational culture, pressure from a boss, perverse incentives) that contributed to the violation. One would be committing fundamental attribution error if one blamed the manager alone for the disastrous Ford Pinto decision highlighted in Chapter 2 but ignored the culture and pressures inside the company. (This is not to say that the manager bore no responsibility.) Senior officials at Wells Fargo committed fundamental attribution error when they blamed the unethical behaviors that took place in the company solely on the employees while ignoring the context they created.
- **Confirmation bias**, also mentioned in Chapter 1, occurs when one places too much emphasis on information that confirms one's existing beliefs while ignoring or dismissing disconfirming information. It is the problem of “seeing only what we want to see” rather than making sense of reality objectively. An example of confirmation bias related to ethics would be refusing to acknowledge evidence that an employee was dishonest because of a preconceived notion that she or he was a good person.
- **Escalation of commitment** is the inclination to continue following a course of action because of a commitment to that course, even though continuing to follow the course will lead to negative outcomes. The commitment can be

financial (e.g., when one has spent a lot of money on a course of action) or psychological (e.g., when one has made a commitment to seeing a project succeed). Again, the Ford Pinto example is relevant: Once Ford had committed to the Pinto project, it was unable to back out even though evidence suggested that it should have. It may have been that Ford's cost-benefit analysis was a way of rationalizing the decision it had already made to see the project through.



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The owners of the hands in this picture may be committing fundamental attribution error.

- **Status quo bias** is the preference to maintain the current state of affairs even when a change of course should be considered. Managers who continue to allow sexual harassment in the workplace even after they are aware of problems commit status quo bias. (See the mini-cases at the end of this chapter that pose ethical dilemmas related to sexual harassment.)
- A **stereotype** is a belief that one has about an individual because that person belongs to a particular social category. Stereotypes may be true in general about the people in a category, but they are unlikely to be true about every individual in the category, and they may not be true at all. Stereotyping is a cognitive bias because it can lead to inaccurate—and unethical—assessments and decisions. For example, a manager who decided an employee was of low character and should not be promoted because she or he belonged to a particular religion might be guilty of making an inaccurate judgment, treating the employee unfairly, and harming the company's performance.

Status quo bias

The cognitive bias in which one prefers to maintain the current state of affairs even when a change of course should be considered

Stereotype

The cognitive bias in which one has a generalized belief about people of a particular social category

Situational factors exacerbate cognitive biases. A strong group culture forces dissenters to suppress their doubts. Time and resource constraints lead managers to analyze only the most obvious possible courses of action and to reach conclusions based on little analysis in a self-serving way. Decision-making biases are likely to be overlooked, ignored, excused, or even celebrated if they validate powerful actors' political agendas. The next chapter further examines the influence of situational factors.

Ethical Intuitions

LO 3.4: Recognize the role intuitions play in ethical decision-making.

Thus far, this chapter has explored the ways in which the self-serving intuitions of people express themselves. While the temptation at this point may be to conclude that human beings are selfish by nature, keep in mind Smith's broad view

that self-interest includes moral sentiments such as generosity and kindness. Evolutionary psychology supports the view that there is more to self-interest than simple selfishness. People have innate **ethical intuitions** to

Ethical intuitions

Intuitions to take actions that benefit others

- care for others and protect them from harm;
- be concerned about fairness;
- be loyal to those in one's group;
- follow necessary rules and the dictates of authority;
- protect what is considered sacred and pure;
- value liberty;
- oppose oppression; and
- avoid environmental degradation.²⁸

Note that although all these intuitions benefit others, they are nevertheless self-interested; we developed them through evolutionary processes because they helped us as individuals to survive and adapt. Among our ancestors, individuals who had these qualities increased their chances of survival.²⁹

In addition to having intuitions to benefit ourselves by benefitting others, we also possess ethical intuitions that are not self-interested at all—intuitions to take actions to help the group survive but at our own expense. Not only have we evolved to outcompete others in the same group; we have also evolved to help our groups outcompete other groups. Haidt notes that Charles Darwin recognized this in his development of evolutionary theory, writing that “a tribe that has a great number of courageous, sympathetic and faithful members, . . . always ready to warn each other of danger; to aid and defend each other . . . would succeed better.”³⁰ Because

humans have characteristics such as a desire to interact with others, a sense of reciprocity (“I’ll scratch your back if you scratch mine”), generosity, a concern for others’ opinions of us, and, more fundamentally, the ability to understand that other members of the group to which they belong perceive the world the same way that they do, they have been able to cooperate on a large scale, create complex societies, and flourish as a species. Humans, as the quote from Haidt at the beginning of this chapter argues, are “90 percent chimp



Human beings are a little bit like bees—designed to sometimes do what is best for the group rather than for the self.

and 10 percent bee.”³¹ In his view, all people are a little bit, more or less, like the bee, which is genetically programmed to work with other bees.

The research on ethical intuitions raises the question of whether we have evolved to possess the intuition to act based on utilitarianism or deontology (the two main approaches to ethical reasoning discussed in Chapter 2). After all, there would be little reason to hope that ethical decision-making frameworks such as the weight of

reasons will be useful if they are fundamentally incompatible with our fast-thinking intuitions about how to act ethically. Haidt's and related research suggests, in fact, that we have evolved to possess intuitions to care for others and prevent harm that correspond to utilitarianism, as well as those to promote liberty and oppose oppression that correspond to deontology and contract theory. Psychologist and philosopher Joshua Greene provides experimental evidence that we engage in *fast* deontological and *fast* teleological thinking and that we use the two at different times. The evidence comes from his analysis of the well-known trolley experiments.³²

THE TROLLEY EXPERIMENTS

Fast Deontological and Utilitarian Thinking

The trolley experiments were first proposed by the British philosopher Philippa Foot in 1967 and have been built on by philosophers, psychologists, and neuroscientists ever since.³³ In Version 1 of the experiment, you are to assume you work for a railroad and are near the train tracks. You see a train rushing down the tracks heading for a group of five workers with their backs to the train and nowhere to go. You control a lever that can divert the train down another set of tracks. If you pull the lever, you can save the lives of the workers. The problem with engaging the lever is that the train will now head directly for another worker who has his back to the train and nowhere to go. You have no time to think and have to act quickly; you cannot use the weight of reasons or any other ethical decision-making framework

and must decide based on fast thinking. What do you do?

In Version 2 of the experiment, you are to imagine you just happen to be standing on a bridge overlooking the train tracks. Again, you see a train rushing down the tracks heading right for a group of five workers with their backs to the train and nowhere to go. In this version, standing right next to you on the bridge is a large man perched precariously on the rail of the bridge, also looking at the oncoming train. You can give this man a slight nudge and he is almost sure to fall on the tracks and stop the train from killing the five workers. The only problem is that by pushing the large man in front of the train you are likely to kill him. Again, you do not have much time for reflection. You must use fast thinking. What do you do?

Psychologists have asked these questions to thousands of people. Nearly 90% would pull the lever killing one man to save five (Version 1), while nearly 90% would not shove the large man into the oncoming train killing one to save five (Version 2). Each scenario has the same result (one dead worker or five), yet the intuitions people have about them and the ways they respond are different. In Version 1, most people act on an intuition based on utilitarianism, while in Version 2 most act on an intuition that corresponds to deontology.

Professor Joshua Greene and his colleagues have investigated the neurocognitive processes underlying the different responses to the two versions of the trolley experiment.³⁴ His research suggests that utilitarianism and deontology are situated in different parts of the brain. Using fMRI (functional magnetic resonance imaging of the brain) he finds that participants process the two questions in different parts. When participants experience a situation as personal (Version 2), they

use a part of the brain that corresponds to deontology, whereas when they experience a situation as more impersonal, they are more likely to use a part of the brain corresponding to teleology. Greene, who advocates dual-process theory, concludes that people's responses to ethical questions are not guided by a unified system. Rather, we call on fast-thinking deontology in some situations and slow-thinking utilitarianism in others.

To further explore this idea, Greene tried another experiment similar to Version 2 of the trolley experiment. In this experiment, adapted from the last episode of the TV show *Mash*, it is war time and you and the hundred other members of your village are hiding in the basement of a house. An enemy killing squad is advancing. Its orders are to kill anyone it finds in its path. The problem is that you have your baby in your arms, and the baby has a very bad cough that is sure to alert the death squad to where the villagers and you are hiding. Do you smother your child and save the villagers or save your child and endanger 100 people? When Greene asked people this question while under brain imaging, he observed the two regions of the brain lighting up at the same time and further that about half of the participants said that they would kill the baby and about half would not. This evidence shows that some situations elicit both utilitarian and deontological fast thinking. People are divided within by intuitions that match both of these philosophical conceptions when facing ethical choices.³⁵

Ethical Intuitions and Ethical Behavior

While it is comforting to learn that people have evolved to have the ethical intuitions that psychologists, neuroscientists, and philosophers have identified, it is necessary to keep in mind that having these intuitions does not mean people always act on them. There are many reasons why people do not act in these ways.

First, while people are born with ethical intuitions, they may not be developed. Neuroscientist Gary Marcus (no relation to the lead author of this book) argues that while people are not born as “blank slates” with nothing in their minds at all, nor are they “hard-wired.” Rather, he argues, they come “pre-wired”—with certain built-in characteristics that may or may not be activated. Hence, while all people may be born with particular ethical intuitions, whether these intuitions are developed or not depends on culture and upbringing.³⁶ Thus, it is possible, as Haidt and his colleagues show, that some people have developed one set of moral intuitions at the expense of others.

Second, and seemingly paradoxically, people's ethical intuitions may be triggered in unethical ways. The world is unfortunately full of examples of people who have undertaken destructive acts for what they believed were good causes—for example, white supremacists, religious fundamentalists, and antiabortion and environmental activists who take life to preserve what they see as sacred or pure. The intuition to preserve the sacred and to be loyal can lead to unethical behavior. Many of us probably can think of a time when we wanted to be loyal to a friend or a group member but knew doing so would produce harm or violate the rights of someone else. Greene has written in the book *Moral Tribes* that because people are tribal at heart, they are capable of carrying out actions for the good of the group that have

terrible impacts on people outside it. Human history shows that this tribal intuition, acted on for the good of the group, can rise to the level of brutal subjection of other peoples, war, and genocide.³⁷

Third, ethical intuitions may not clearly lead to ethical behavior because conflicts arise between ethical intuitions. One intuition will point us to one action, while another intuition will point us to another. In the previous example, loyalty suggested one behavior while a contrary intuition, the desire to not harm and protect the rights of others, suggested another behavior. Or, as the trolley experiments indicate, a desire to create the most benefits for a group or society can be in tension with a desire to respect the rights and dignity of each individual. American conservatives tend to be comfortable with the idea of obeying authority and following rules even if the rules disadvantage certain groups because that is what they believe is best for society as a whole, while in contrast, liberals are not comfortable with this idea and believe that rules that disadvantage certain groups should be changed.³⁸ Acting on ethical intuitions is difficult because these intuitions may be contradictory, leaving us confused and uncertain about what to do.

A final reason why our ethical intuitions may not lead to ethical behavior is that they may be in conflict with our selfish intuitions. We are all familiar with the iconography of the confused individual with an angel perched on one shoulder and a devil perched on the other, torn between temptation and restraint. What should a person do in such situations? This returns us to the matter of reputation: Humans are not necessarily wired to conform to norms and do what is most ethical but rather to *look as if* they were acting in this way. They navigate between what they selfishly want to do and what society expects them to do. Hence, they find themselves trying to do both at the same time, telling small lies, and cheating just a little, so long as they do not tarnish their reputations too much. Corporations behave in the same way. In sum, while we are born with ethical intuitions, we cannot always be counted on to produce ethical behavior. The world—and our own proclivities—is far too complicated for that.

Combining Fast and Slow Thinking: The Weight-of-Reasons Framework

LO 3.5: Apply the weight-of-reasons framework to check the role that after-the-fact rationalization plays in ethical choices.

Given that fast thinking—even ethical intuitions—can lead people astray, what can we do to improve ethical decision-making? The answer is simply to use approaches to slow thinking such as the weight-of-reasons framework. Fast thinking will lead us to frame issues in particular ways, see certain facts, consider well-known action alternatives, be aware of specific consequences, apply particular principles, and apply well-worn decision-making shortcuts. Frameworks such as the weight of reasons can help us slow down and improve our thinking at each of these steps in this process.

But can reasoning really help us correct for and improve on intuitions? Many people take for granted that reasoning (i.e., System 2 thinking) is superior to intuitions and emotion (i.e., System 1 thinking). Reason has enabled humans to flourish, producing more order and liberty, less violence, and higher standards of living than ever before.

In contrast, societies that get carried away by emotions such as anger and fear and lose their capacity for collective critical thinking make poor decisions and even inflict horrors on their own citizens and other people. Slow thinking can and should be a corrective. It can be more than a justification of decisions already made based on a set of intuitions and can help us improve our ethical decisions. While it may be true that slow thinking may serve only to justify intuition in cases where snap moral choices must be made, it is also true that by undertaking more deliberate decision-making processes, we can sort through our intuitions, critique them, correct for their biases and refine them, and ultimately make better ethical decisions. Not only that, we can learn from these decisions, develop better decision-making intuitions, and make better decisions the next time around as well. Just as virtue theory suggests, through the repeated practice of good ethical decision-making, we can become good ethical decision makers.

Researchers such as developmental psychologist Darcia Narvaez have advanced this insight that through reasoning we can improve our ethical intuitions. She argues that people can develop “mature moral functioning,” which enables them to learn to act more ethically over time as they repeatedly reason through ethical dilemmas. Through slow ethical thinking, we develop improved habits of fast ethical thinking.³⁹

Business ethics professor Eugene Sadler-Smith also maintains that reasoning can lead to the improvement of ethical intuitions and more ethical behavior. He sees the ethical intuitions identified by social psychologists as corresponding to the virtues identified by Aristotle and other philosophers, and he argues that people can refine their ethical intuitions over time through practice. The process of refining our ethical intuitions ideally should be shaped by supportive norms and rules in the communities of which we are a part. The toughest part of the development process, according to Sadler-Smith, is that people face conflicting and competing claims; what we feel is right may not be consistent with what our role in an organization allows us to do, what others in the organization want, or societal expectations. We may want to do what is right but lack the power to do so. As we refine our intuitions through experience, we should become better able at navigating this problem.⁴⁰

The implication of the work of Narvaez, Sadler-Smith, and others is that practice in applying the weight-of-reasons approach can lead to better ethical choices. At the same time, we must be aware of the danger of using the framework to confirm our preexisting intuitive biases. Applying the framework means relying on slow thinking to surface, articulate, and challenge ethical intuitions, not rationalize them. It should be a process that is as objective as possible rather than one driven by preconceived notions and some ethical intuitions and not others. At every step in the weight-of-reasons process—identifying the issue, getting the facts, considering the action alternatives, considering benefits and harm, applying principles, and making a decision—multiple perspectives should be considered and juxtaposed before moving to the next step; tensions must be wrestled with and biases overcome. Once a decision is made, there should be a follow-up so that we learn from what we have done and refine our intuitions so that we make a better ethical decision next time.

Using the framework this way is not easy. Intuitions are fundamental to how people make sense of the world, and it is incredibly difficult to recognize and challenge them. Thus, it is important to carefully structure the weight-of-reasons decision-making process and guide it appropriately as it unfolds. As discussed in

Chapters 5 and 6, organizations can adopt decision-making practices as well as policies and programs that support better ethical decision-making. And as discussed in Chapter 8, they can engage their stakeholders in group learning processes that produce innovative solutions to ethical dilemmas. Haidt makes a similar argument in *The Righteous Mind* where he observes,

If you put individuals together in the right way, such that some individuals can use their reasoning powers to disconfirm the claims of others, and all individuals feel some common bond or shared fate that allows them to interact civilly, you can create a group that ends up producing good reasoning as an emergent property of the social system. This is why it's so important to have intellectual and ideological diversity within any group or institution whose goal is to find truth.⁴¹

SUMMARY AND CONCLUSION

This chapter has shown that thinking is a process with two parts, fast and slow. Fast thinking is intuitive and automatic, while slow thinking is deliberate and rational. For at least 25 centuries, philosophers, theologians, and other people of wisdom from many cultures have taught us to think about ethics slowly as utilitarians and deontologists. Modern psychological research shows that within the human mind do in fact lie these two deep tendencies in the Western intellectual tradition. We have intuitions that correspond to the major approaches to ethical reasoning as well as many other types of ethical intuitions. The weight-of-reasons framework provides an approach to slow thinking that incorporates both utilitarianism and deontology. Therein lies its potential to improve ethical decision-making.

Another conclusion of this chapter is that most of our intuitions are self-interested, but self-interest is a complicated phenomenon. Psychological studies of the fast thinking that colors ethical responses show that the pursuit of self-interest—the fundamental inclination that Smith found at the hub of markets—is a commanding instinct in business and other interactions, but the directions in which

it takes us are not at all obvious. People seek both short- and long-term gratification (Mischel's studies). They seek gain but also want to look in the mirror and feel good about themselves, which means that they are ready to tolerate their own cheating only up to a point (Ariely's studies). They lie to achieve benefits for themselves, but the gain they seek is not necessarily economic advancement and may instead be respect and self-esteem (DePaulo's studies). When and how they pursue self-interest is limited by cognitive biases that distort the ability to achieve what they want or even figure out what they wish to do.

Supporting the view of philosophers such as Smith, research shows that self-interest is more than selfishness; most people other than outright psychopaths have strong ethical intuitions. The desire to do good for ourselves depends critically on our sympathy for others. People have self-interested desires to care for other people, treat them fairly, and see that others do the same. Psychological research also suggests that some ethical intuitions are not self-interested at all; they direct us to do what is best for others even at our own expense. As Darwin recognized long ago, we have thrived as

a species in part because people have evolved the capacity for generosity and cooperation.

A key point of this chapter is that intuitions, even ethical ones, do not necessarily lead to ethical actions. The chapter enumerated some of the reasons why: Ethical intuitions may not be triggered in the real world, they may lead people to take actions that seem right but cause harm, they conflict with one another (e.g., we regularly wonder whether the ends justify the means), or they may conflict with more immediate self-interest. Moreover, this chapter has shown and warned against the fact that decisions are prone to rationalization and biases,

which the weight-of-reasons framework may reduce. This is where frameworks for slow thinking such as the weight of reasons come in; while we are aware that slow thinking can serve as mere justification of human intuitions, it can do more.

Fast and slow thinking play complementary roles in how people respond to ethical issues. If frameworks such as the weight of reasons are applied properly, they can help us identify and correct for intuitive ethical biases. Taking a more developmental approach, slow thinking can even help us refine and improve our ethical intuitions over time so that we think fast more ethically the next time around.

KEY TERMS AND CONCEPTS

Cognitive biases 74	Fast thinking 65	Self-interest 67
Confirmation bias 74	Fundamental attribution error 74	Slow thinking 65
Dual-process theory 66	Heuristics 74	Status quo bias 75
Escalation of commitment 74	Integrated theory 66	Stereotype 75
Ethical intuitions 76		

CASES RELATED TO THE READING

Consider reading all of the cases found in Chapter 10 to gain experience in applying the concepts presented in this chapter. In every case, managers'

bounded rationality and cognitive biases lead them to frame and address ethical dilemmas in partial, limited ways.

CASE APPLICATIONS

Return to the cases at the end of Chapter 2. Did you reason your way to your conclusions, or did you begin with an intuition that you then justified?

Did your initial intuitions about what to do match up with your conclusions after applying the weight-of-reasons framework?

Now use the weight of reasons to try working through the following cases, which illustrate the conflicts people have between their intuitions and logic.

Case 3.1: Child Care at Atlantic Information Systems

Since the time that companies began to hire full-time diversity managers, they often have tried to make their organizations more hospitable to people of all sexes. Atlantic Information Systems Inc. is a medium-size firm with two complementary lines of business. Its 700 professionals advise other organizations about data storage and processing systems. They also produce and market customized software systems for a variety of business functions. In addition to its professional staff, the firm includes 100 employees whose work is administrative, clerical, or janitorial.

When Lester Barks, the founder and CEO (chief executive officer) of Atlantic, started his business, he recognized that he would require employees with both high-level technical skills and sophisticated communication skills. He recruited well and was able to infuse the staff with his own energy and appetite for work and getting the job done. As a result, the firm grew rapidly, developing a strong reputation for innovative designs and good customer service. From the beginning, Barks had strong beliefs about rewarding people for their work, but he also tried to keep fixed costs to an absolute minimum. Thus, although he had established a generous profit-sharing plan, he tried to hold the line against the expansion of employee benefits programs. This policy had been working reasonably well. As long as the company's young, well-educated employees kept getting their substantial paychecks, they seemed content to solve their own personal and career problems. Barks's view of his company was that it was not a social service agency.

As the firm and its employees matured, however, sentiment toward the firm's personnel policies seemed to shift. The people who have the skills and experience Barks needs to run his business also have young families to care for. The conflicting

demands of jobs and families are proving to be problematic for many people. Several employees recently approached Barteau Weber, the vice president for personnel, with a strongly worded request that Atlantic consider opening a company-sponsored child care center. These employees argued that the company should establish and support a high-quality child care center as a way of reducing demands on their time that detract from their ability to focus on their jobs. In addition, they point out that predicted changes in the structure of the work force are likely to make such a center a prerequisite for recruiting and retaining qualified employees in the future. Their company should show empathy toward them, not only as employees but also as people with families and young children for whom they have to care.

Weber knows that this request is not the product of a few overly demanding whiners. Indeed, it has been put together by a self-appointed committee consisting of half a dozen of the firm's most respected employees and has been signed by more than 50 people. Furthermore, Weber knows that, within just the past three months, two highly valued senior systems designers quit rather than returning to work after the six-week parental leave the company allowed. They told Weber that they were unable to arrange for suitable child care and that they thought the company did not give a damn about them. Weber has overheard many informal conversations that echo this view.

Weber understands that many companies have established child care centers, but he has little technical knowledge of how they are structured or how much they cost. Moreover, he wonders if his feeling for these employees should override his feelings for employees who do not have families, who would have to share in the costs of setting up a child care facility at the company. Finally, he is certain that Barks, the company's founder, will resist the idea of getting involved in such a venture. He has never seen Barks express the sentiment that family life should come before the hard work of maintaining

the firm and making it financially viable. He feels as if he has a responsibility to bring the matter to Barks's attention, but he is very apprehensive about what will take place.

When he brings the issue to Barks's attention, the CEO immediately blurts out,

I just don't get it. It does not feel right to me. This problem only affects a part of our work force. Some people have no children at all, and others have children they are managing to raise without any help from us. How are these employees going to react if they see the company spending its money on an expensive program that benefits only a few people? I have absolutely no sympathy for these people asking for a child care facility, none. I did not get any special protection from my employers earlier in my life when I worked for others. My gut says to just turn down those who are asking for this benefit and not to let this issue simmer any further. Let's squelch it now before it gets out of hand.

Use the weight-of-reasons framework to decide what you would do next if you were Weber. How does your decision compare with your initial intuition about what Weber should do?

Case 3.2: Transforming the Soul of Business

Darlington Foods is an integrated wholesaler and retailer of high-quality food products. It provides gourmet foods to supermarket chains and specialty stores in the United States and Europe under the well-known brand names of "Fuller Flavor," "Good-For-You," and "Healthy Delite." Partly through acquisition, its sales have more than doubled in the past 10 years, but profits have been disappointing. The founder of the company and the former CFO (chief financial officer) were forced to resign because of the company's poor performance (Table 3.1).

TABLE 3.1 **Darlington Foods: Performance**

Year	Sales	Operating Income	Net Loss
2015	28,380	1,554	1,043
2016	35,595	6,351	10,353
2017	49,020	4,155	6,975

Note: All values are in thousands of dollars.

The top management team now consists of company president and CEO Robert Dennis, 49, an engineering graduate with a PhD in educational administration from the University of Kansas; executive vice president Carl Martin, 47, who attended the University of Utah and worked for the Albertson and Super Value grocery chains; retail sales vice president Kevin J. O'Brien, 31, a graduate of the Harvard Business School; and CFO Benson Siegel, 59, a certified public accountant from the University of California, Berkeley, who used to run his own business. As the operations and marketing director of the firm, you are the newest member of the executive team. You have an MBA from the University of Minnesota Carlson School and formerly worked for the Target Company.

Before the monthly executive team meeting, O'Brien has proposed to send five senior employees to a conference on "Transforming the Soul of Business: Profit, Competition, and Conscience on the New Frontier," which would be held in Hilton Head Island, South Carolina, next winter. This proposal is part of O'Brien's ongoing effort to make the company more socially responsible. O'Brien feels deeply that the key to restoring Darlington's profitability is to align it with upscale consumers that appreciate a socially conscious profile. He is fond of saying, "This company should be governed by a conscience. It should not be a slave to short-term profits." The total cost of sending the five employees to Hilton Head will be more than \$30,000.

Benson Siegel, whose office is right next door to yours, has been looking over the conference brochure. On the title page, it advertises “Innovative Techniques for Making a Profit While Making a Difference” and “How to Make Your Business a Positive Agent for Social Change.” The mission of the conference sponsor, the National Institute for a New Corporate Vision, is “to foster an evolution that encourages balance: a thriving corporate life, self-fulfillment, and meaningful personal relationships.” Many other companies that sell socially conscious goods and services will be at the conference. It promises sessions that address topics such as extraordinary customer service, incentives that appeal to employees’ hearts, worker empowerment, caring for the plight of the global poor, fostering creativity through empathy, employee belonging and well-being, collaborative communication, engaging the human spirit in the workforce through love, and giving back to the community.

Siegel tells you that he does not know what to think. A liberal Democrat, a successful entrepreneur, and philanthropist, he also was known as a hard-driving executive when he owned his own business. He feels that people should keep their priorities straight: “When in the office, use your head—leave your heart at home.” He tells you that this always has been his motto and communicates that to you in no uncertain terms. From his perspective, these ideas of O’Brien are a “no-go.” They are “dead on arrival.” But Siegel is unsure how other members of the executive team stand. He tells you that O’Brien is a “flake.” What he is trying is inconsistent with the shareholder interests Siegel must protect. He comments that O’Brien is “too dogmatic, fixed in his ways . . . bright, but arrogant and self-righteous,” qualities he detests. A “fanatic”—“no telling how far he might go,” Siegel proclaims. You are not quite certain where your allegiances lie, for while you like Siegel, you have been charmed as well by O’Brien, who has been very supportive of your work.

Siegel reads an article about how several socially conscious businesses have not lived up to their ideals. They deserted their vaunted pay scales in

which top management could not earn much more than wage earners. They took their factories from inner-city locations and shipped jobs to low-wage countries. They sullied the environment and had quality control problems, which led to the selling of contaminated products. At the same time, they proclaimed that they were a force of good, working for the future of the planet, and committed to an enlightened capitalism in order to improve society. Outraged by the hypocrisy of these firms, Siegel sends the article to the top management team at Darlington.

Meanwhile, O’Brien invites a guest to your executive committee meeting, Laura Scher, a former classmate of his, a person he believes “represents the best of the new capitalism.” Scher graduated near the top of her MBA class but did not choose the path to easy and quick riches. She refused a lucrative Wall Street offer and created her own company, Working Assets Funding Service, the purpose of which is “to do well by doing good.” The company offers a donation-linked credit card and charity-connected long-distance phone service that allows people to donate to causes. *Inc.* magazine named the company one of the 500 fastest-growing privately held companies in the United States. O’Brien tells you that the “soul” of your company is at stake.

The ongoing conflict between Siegel and O’Brien makes you very nervous. Their emotions are running way too high. Is there some way to intervene? You are afraid your company is going to collapse because of the conflict between two people you essentially like and respect. You vaguely recall an ethical framework you learned to use in a class at the Carlson School. It was called “Weighing the Reasons,” or something like that. Would now be the time to invoke it, but how and to what end? (*Note:* We also discuss managers’ duty to shareholders, corporate social responsibility, and related topics in Chapter 7.)

Case 3.3: Mini-Cases on Sexual Harassment

The two classes of sexual harassment defined under the Equal Employment Opportunity Commission

guidelines are (1) requests by a supervisor for sexual favors in return for job benefits and (2) a hostile work environment. Sexually harassing conduct in the workplace that creates an offensive work environment includes the following: physical or verbal harassment; repeated offensive or unwelcome sexual flirtations, advances, and propositions; continual or repeated verbal abuse of a sexual nature; graphic verbal commentaries about an individual's body; the use of sexually degrading words to describe an individual; and the display in the workplace of sexually suggestive objects or pictures. Since there are usually neither witnesses nor physical evidence, and it is difficult to show that advances were not wanted, fact-finding can be complicated, and it is important to know whether the victim told the accused person that the advances were not welcome.

Barteau Weber of Atlantic Information Systems, last seen in Case 3.1 of this chapter, now faces a series of sexual harassment cases. To what extent can he use the weight-of-reasons framework to help manage these dilemmas? Again be sure to compare your decision based on the weight of reasons with your initial intuitions.

a. The Business Trip

Three people from Atlantic go on a business trip. The male partner is in his mid-40s and is married. The third-year analyst is in her early 30s, and the newly hired MBA is in her mid-20s. The business trip is a success; the employees secure a new project that will bring millions of dollars of business. That evening they celebrate. The male partner has too much to drink and asks questions about the female analyst's sex life. He moves closer to her and puts his arm around her. She is visibly shaken. She moves away from the male partner, reminding him that she has just become engaged, and tries to change the subject. The newly hired MBA is upset about what she has witnessed. The next day, she urges the analyst to file a complaint, but the analyst

refuses. She says that the male partner is simply having a midlife crisis: "That's the way it is. I don't want to be branded a troublemaker." On her own, the MBA brings the incident to the attention of the human resources department. It makes some discreet inquiries and learns that the partner in the firm has a reputation for occasional heavy drinking and, apparently, has had consensual affairs with other junior employees. However, no one has ever brought a formal complaint against him. The human resources staff tell the MBA she cannot file a formal complaint herself but must convince the analyst to do so.

b. No Touching

Atlantic Information Systems has an explicit policy of "no sexual touching" between employees. Helen, a member of John's staff, has received poor performance reviews, but nonetheless she believes she should be promoted. She files a letter of complaint with the human resources department, alleging that John embraced his secretary Emily on company property. The department begins an investigation by interviewing people in the company. It asks them for complete confidentiality, but leaks occur, and word of the inquiry spreads, hurting the reputations of both John and Emily and making it difficult for them to carry out their jobs. Their department is at a standstill with bitterness and acrimony on all sides. Helen complains that other employees are siding with John and Emily and that she is being ostracized. Emily's story is that she received a phone call about her niece's death in an automobile accident and that John was only comforting her.

c. "Boys Will Be Boys"

After having lunch with a customer, a salesperson claims that the customer made unwelcome offensive comments followed by physical contact to which she objected. She expects her company to take immediate legal action. If it fails to protect her, she will sue. When confronted, the customer claims

that “boys will be boys” and that what happened was “nothing more than a joke,” an “innocent flirtation,” and perhaps a “chance for a relationship.” This customer represents an organization that

constitutes one quarter of the company’s business. The company discovers that this salesperson complained many times of sexual harassment in her previous employment.

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