Introduction to

The Babson Framework for Ethical Decision Making

It would be nice if it were always easy to decide what’s right. But sometimes it’s not. The “Babson Framework for Ethical Decision Making” is a tool for helping to make difficult ethical decisions.

Consider the challenge facing a manager of a poorly performing employee. He may feel a duty to fire the worker. Yet the manager may also fear that dismissal will have harsh consequences for the employee’s life and career. Try as the manager may to help the employee improve, the manager may ultimately have to make a decision that runs the risk of unfairness to the company on the one hand or, on the other, harshness to the employee.

In short, we live in a morally imperfect world where we may feel torn not just between right and wrong. Sometimes we feel torn between right and right. Such feelings of being torn between right and right are due to the fact that it is possible for there to be conflict among our sense of how it is our duty to act, our idea of the best consequences of our actions, and our desire that our actions will help us develop a good character.

I. Ethical Schools

There are three major schools of ethics. They focus on three different moral concerns:

   Duty, Consequences, and Character.

The different schools are called Deontological Ethics, Utilitarianism, and Virtue Ethics. But it may be easier for you to think of them as

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1 The Babson Framework for Ethical Decision Making and this introduction to it are a collective effort based on an essay originally written by Les Livingstone. Since then, Richard Bliss, Fritz Fleischmann, Danna Greenberg, Jim Hoopes Richard Mandel, Kate McKone Sweet, Lydia Moland, and Ross Petty have contributed to it. It is meant to serve as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Copyright 2007© by and licensed for publication at Babson College to the Babson College Case Development Center. To order copies or request permission to reproduce materials, call (781) 239-6181 or write Case Development Center, Olin Hall, Babson College, Wellesley, MA 02157. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means – electronic, mechanical, photocopying, recording, or otherwise – without the permission of copyright holders.
A. Duty or Deontological Theories

This school focuses on duty or how we should act. The most famous deontological theory is Kant’s categorical imperative:

\[ \text{Act only in such a way that 1) you would be willing for the principle of your action to be a universal law, and 2) you treat other human beings with respect.} \]

Kant’s theory is based on universality. Universality means applicable to all persons, in all circumstances, without any exception. Kant’s theory encourages us to be careful not to make exceptions for ourselves. We should not, for instance, say: “Lying is usually wrong, but, in my case, it is justified.”

Kant also taught that all humans should be treated with respect. We should not treat others, he said, as means to our ends. That is, we should not use them as tools against their permission to achieve our goals. Asking someone for a loan that I do not intend to repay uses her as a means to my end. Instead, I should respect her by recognizing that in her mind she is an end in herself.

The Chinese philosopher Confucius also emphasized the importance of treating others with dignity and respect. Each individual should be treated as a member of a moral community in which everyone can thrive.Treating others with respect means treating them with benevolence, compassion, humaneness and good will.\(^2\)

Let’s consider a simple example. Frank has a new camera. Anne steals it. But she would not wish stealing to be a universal law, especially in cases where she is the victim. Stealing Frank’s camera also disrespects him as a person. For both these reasons, Anne’s stealing is wrong.

B. Consequences or Utilitarianism

Consequences are the basis of deciding right or wrong in a utilitarian approach:

\[ \text{Act only in such a way that your action causes more good than harm for the society of which you are a part.} \]

A focus on consequences essentially involves a cost-benefit analysis. An ethical action causes more good than harm for society. In order to decide if an action is right, we must evaluate its

consequences for all stakeholders. What makes this analysis complicated is that it is often very difficult to measure the costs and benefits of an action to all members of society.

Sometimes there is a “Pareto-optimal” solution. This is a solution in which all persons benefit. Or at least no one loses. Since no one is harmed, a Pareto-optimal solution is consistent with utilitarianism or a focus on consequences.

Consider the example of stealing again. Anne benefited and Frank was harmed. On the other hand, if Anne had not stolen the camera, neither she nor Frank would have lost anything. Not stealing the camera would have been the Pareto-optimal decision.

In other, more complicated cases, a Pareto-optimal solution may not be possible. If a company is determining whether to manufacture items in a way it knows will harm the environment, the question is whether this bad consequence is outweighed by good consequences such as monetary profit, increased employment in the community, cheaper products for consumers, and so forth.

Finally, many conventional moral rules – such as the common view that stealing is wrong – lead to good consequences for society as a whole. Of course, societies have often had conventional moral rules and practices that were wrong – for example, slavery. But while conventional rules are not always right, some of the basic ones such as not lying, cheating, and stealing are usually consistent with the greatest social good.

C. Character or Virtue Theories

Based on the writings of the ancient Greek philosopher Aristotle, this school encourages us to develop a good character or virtues through practice and “habit”:

\[\text{Act only in such a way that you cultivate habits that allow you to live peacefully with yourself and with others.}\]

If we passed up a chance to cheat in school, it was a little easier to be honest the next time. So too with honesty, courage, generosity, and justice in our everyday dealings with those around us. The more we make a habit of these virtues, the more likely we will act well in the future. This is the real meaning of what people all a “good character.”

A good character is important because in moments of high pressure, it may be impossible to do the decision-making analysis the other theories require. Good habits help us do the right thing when a quick decision is necessary.

Character and reputation are sometimes confused with each other. Reputation is about social norms. Character is about individual traits. Nevertheless, a concern for reputation can lead us to ask useful questions such as: would I want this action to be reported on national television? Would I want my parents or children to know I had done this? Would it reflect well on my character if it were public? Such questions can often guide us to make ethical decisions.
Western culture is scarcely unique in emphasizing character. For example, the great Chinese philosopher Confucius also put great value on character development. So did the great Indian thinker Kautilya. They both focused on character traits that foster good social relations, especially within hierarchies and organizations. The success of an organization depends on each person being able to do his or her job well. Developing character traits such as integrity, diligence, kindness, trustworthiness, and tolerance will allow an organization, and the people in it, to flourish.  

Let’s reconsider the theft example. If Anne had developed an honest character – the “habit” of integrity – she might not even have considered stealing from Frank. Stealing also erodes the trust that is necessary for us to live together and so fails Aristotle’s criterion of fostering peaceful relations with others. As concerns reputation, Anne would probably not want her action reported on television or to her family either.

II. There is More to Moral Life Than Decision Making

Most of business, indeed, much of all aspects of modern life, is conducted in organizations. And organizational life is morally dangerous in a way that is too often poorly understood. It is not necessarily an immoral decision by a single individual – such as surrender to monetary temptation – that leads to unethical acts. It can simply be that one member of an organization does not know what another is doing, that members of one department may feel no responsibility for the actions of members of another department, or that individual employees may fear the impact on their careers of pointing out others’ errors. 

Individuals sometimes get caught up in organizational processes that lead to bad outcomes without ever making a decision to do so. Or else the decisions they make seem minor such as not to risk angering a colleague by pointing out a mistake. Later, after resources have been invested in the mistake, it may become clear that the organization is heading for a bad result. But by then it may be much more difficult to change course.

That points to the importance of character in business. Character counts. By developing virtues such as integrity and competence, a person is preparing herself or himself for ethical challenges long before the moment of “decision” arrives.

Because business, like the rest of life, is an interrelated process it is not always possible to isolate a moment of decision or at least to recognize its momentousness. But by continually developing, as Aristotle put it, the “habit” of such virtues as integrity and competence we improve our chances of doing the right thing when the stakes are higher than we know. Virtue ethics point to the importance of working on our character and understanding the importance of ethics in our lives all the time, not just in making decisions.


A Framework for Ethical Decision Making

The Decision-Making Framework

The 7-step model presented here begins with 3 steps that are necessary for any effective decision-making process. Only in step 4 does the process focus specifically on ethics.

Step 4 asks you to evaluate possible decisions from the perspective of the three different ethical schools. Just as you should engage several varying business perspectives (i.e. net present value, strategic priority, time to market, feasibility, etc.) when evaluating decision alternatives, you should also engage several varying ethical perspectives such duty, consequences, and character.

By practicing making decisions with this model you will learn to integrate ethical perspectives into your decision making. This framework will also help you learn to identify ethical issues that may not be obvious.

1. **Identify Issues**
   
   Identify the issues and decisions to be considered.

2. **Gather Information**
   
   - Collect information and facts that are relevant to the decision.
   - Try to take notice of gaps or ambiguity in the available information.
   - Identify the affected stakeholders and determine their interests.
   - Collect relevant legal as well as business information.

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Richard Bliss, Danna Greenberg, James Hoopes, Richard Mandel, Kathleen McKone-Sweet and Lydia Moland prepared this framework as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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3. **Brainstorm Alternatives**

- Develop as many realistic alternatives as possible.

4. **Evaluate Alternatives From Various Ethical Perspectives**

   In addition to business criteria such as profitability and strategy, one should evaluate alternatives by ethical perspectives.

   a) **Duty or Deontological Theories:**

   Which alternative(s) is based on a rule that you would be willing for everyone to follow?

   Which alternative(s) respect other people as ends in themselves and not just means to your ends?

   b) **Consequences or Utilitarianism:**

   Which alternative will produce the most good and the least harm?

   - Use Table I (below) to identify the costs/benefits to the stakeholders of each decision alternative.

   - Determine if there is a solution that is Pareto-optimal -- a solution that would benefit all or at least hurt none.

   - If there is no Pareto-optimal alternative, decide which alternative produces the most benefits and causes the least harm to the stakeholders.

   - Do any of the alternatives violate a conventional moral rule? (Be aware that conventional moral rules – such as those about proper dress, relations between the sexes, respect for authority, and so on – need especially careful consideration when stakeholders are from different cultures.)

   - In evaluating alternatives, you also should consider if any of the alternatives are illegal. While it is possible for there to be an ethical argument for breaking the law – for example when a law is unjust – such situations will be extremely rare in practical business decisions. Determining that an alternative is illegal should almost always lead to its rejection.

   c) **Character or Virtue Ethics:**
Which alternative develops character traits you would want to encourage in yourself?

- Consider Aristotle’s personal happiness question: Will adopting this decision allow you to be at peace with yourself and develop your character in a way that will improve your relationships with others?

- Consider Confucius’ and Kautilya’s description of social virtues. Will adopting this decision cultivate social dynamics that allow everyone to carry out his/her role effectively? Will it foster an environment in which each member of the group can thrive?

- How would you feel if you shared your decision with your most respected mentors, family members, friends?

5. **Make a Decision and Examine Your Confidence in It from Different Ethical Perspectives**

- In determining which decision alternative to choose, you will have to weigh the results of the different ethical and business criteria. The challenge is for you to find the decision that produces the most value in an ethical way.

- Use Table 2 (below) to evaluate your decision by revisiting each of the four ethical approaches you used in Step 4 and rating your confidence in your decision.

- If you lack confidence in the decision, return to Step 1 and start the process again.

6. **Prepare to Explain Your Ethical Decision**

- Prepare an explanation which will clearly show others, especially those affected, that you have weighed the ethical issues involved and have made the most ethical decision possible.
7. Reflect on Your Decision Making Process

- As in business decisions, so too in ethics one should learn from experience. After you have acted on your decision, consider how well you did. Were you thorough enough in gathering information? Did you prepare an explanation that would be clear and persuasive to others? What do you need to do differently next time?

Conclusion

For many decisions you will not have the time to follow this 7-step framework in all its detail. However, if you practice this framework in your courses and when you do have time later on in your career, it will become part of the tacit knowledge you carry with you as you make quicker decisions.

As stated in the “Introduction,” the basis of an ethical decision lies in your personal character. You won’t do the right thing if you don’t want to. Aristotle’s emphasis on making virtue a habit is the best known recipe for developing the character and values enabling you to do the right thing.

But knowledge matters, too. Gathering relevant information about the situation is vital to making the right decision. And you can’t do the right thing in business if you don’t know how; competence in accounting, finance, marketing, management, and your general understanding of the world are essential forms of knowledge for doing the right thing.

And finally, it is important to understand ethics and to be aware of the fact that the really difficult decisions may not be between right and wrong but between right and right. There may be conflict between our understanding of duty (deontological ethics), our concern that our actions have good consequences (utilitarian ethics), and our desire to develop our characters (virtue ethics) so as to live peacefully with ourselves and others. That understanding points to the need to be as careful as possible in making ethical decisions.
TABLE 1
IDENTIFYING CONSEQUENCES TO STAKEHOLDERS

If we stop and think – which this chart helps us to do – it is easier to recognize our obligations to customers, employees, owners, and the community in which we operate.

Be sure to list yourself as one of the stakeholders.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Possible Consequences of Each Alternative on Each Stakeholder</th>
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<tbody>
<tr>
<td>1.</td>
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<table>
<thead>
<tr>
<th>Decision Alternative #1</th>
<th>Decision Alternative #2</th>
<th>Decision Alternative #3</th>
<th>Decision Alternative #4</th>
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This table will help you examine your judgment with more objectivity than you might otherwise achieve. It might be tempting to total up the score from a chart like this and decide that if you arrive at some magic number your decision is a good one. But that might make the chart a tool for escaping self-reflection rather than engaging in it. The important point is to try to be sure that you have really asked yourself each of 8 questions in the boxes below.

<table>
<thead>
<tr>
<th>Ethical Decision-Making Evaluation Criteria</th>
<th>Confidence in Decision</th>
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<tbody>
<tr>
<td></td>
<td>Not Confident</td>
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<td>1</td>
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<tr>
<td>1. Have I/we thought broadly about any ethical issues associated with the decision that have to be made?</td>
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<td>2. Have I/we involved as many as possible of those who have a right to have input to, or actual involvement in, making this decision and action-plan?</td>
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<td>3. Does this decision respect the rights and dignity of the stakeholders?</td>
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<td>4. Can this decision be universally applied?</td>
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<td>5. Does this decision produce the most good and the least harm to the relevant stakeholders?</td>
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<td>6. Does this decision uphold relevant conventional moral rules?</td>
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<tr>
<td>7. Can I live with this decision alternative?</td>
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<tr>
<td>8. Does this decision enable me to develop character traits that allow me to live with myself and others peacefully?</td>
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