Chapter 2
Ethics in Business Research

CHAPTER LEARNING OBJECTIVES

After reading this chapter, students should understand…

What issues are covered in research ethics.

The goal of "no harm" for all research activities and what constitutes "no harm" for participant, research, and research sponsor.

The differing ethical dilemmas and responsibilities of researchers, sponsors, and research assistants.

The role of ethical codes of conduct in professional associations.

The major objective of this chapter is to stimulate dialog about values and research constraints. Exhibit 2-1 is the ideal platform for discussing these issues.

The themes of the chapter are organized around the ethical treatment of participants and clients, and the ethical behavior of researchers. Major professional associations have developed their codes of ethics and some of these associations are listed in the section on Professional Standards.

The chapter also introduces students to key concepts and ethical issues involved in research, such as procedures recommended for interviewers and researchers, issues of deception, confidentiality, informed consent, institutional review boards, rights to privacy, and so on. The analytical and decision complexities of ethical issues are best addressed through case analysis, and the cases in the text take the students through diverse situations.

You may wish to treat the chapter as background reading, explain basic concepts, and then use the cases as the key medium for analysis.

KEY TERMS

Key terms are shown in **bold,** as they appear in the text, throughout the lecture notes.

POWERPOINT

- A complete PowerPoint slide set comes with this chapter. It is organized as the chapter is organized. Each chapter contains a complete review of chapter concepts and issues. Each, at minimum, contains the following slides:
    - Learning Objectives
    - Pull Quote, used to open this chapter
    - Exhibit art
    - Key Terms
    - Additional Discussion Opportunities: Section of slides at the end of the chapter slide set that you can rearrange within the slide set as desired. Suggestions for using these slides are in the notes section of each slide or in the *Discussion and Project Ideas* section of this manual. This slide section contains several types of slides, including but not limited to the following:
        - Additional Pull Quotes from Research Thought Leaders
        - PulsePoint: statistic drawn from a research project that relates to some chapter concept
        - Each Snapshot in the chapter: mini-case that relates to one or more chapter concepts.
        - Each PicProfile in the chapter: research related image that relates to one or more chapter concepts or an emerging concept.
        - Each CloseUp in the chapter: more in depth profile of a research concept or project.

TEST BANK

The test bank for each chapter contains the following:

- Multiple choice objective questions of several types:
    - Definition-based questions on key terms and concepts
    - Application-based questions posing decision scenarios
    - Application-based questions asking for justification or explanation
- Essay Questions
- An answer key for each question that indicates question difficulty level:

DISCUSSION AND PROJECT IDEAS

- **Snapshots**
    - ***Privacy's New Frontier…Location-Based Services***…discusses the advantages and disadvantages of using LBS in research.
    - ***ESOMAR and CASRO on the Ethics of Mobile Surveys***…discusses the guidelines for mobile survey research followed by members of two of the strongest professional associations in research.
    - ***Has Trust Trumped Privacy***…reveals current thinking on the issue of privacy of information.
    - ***Is Your Research Project Leaving the Country***…raises a concern about offshoring of research and the ethics and risks associated with the practice.
- **PicProfiles**
    - ***None in this chapter.***
- **PulsePoint:**
    - Published research reveals many ways that businesses use research. You might use such research findings to discuss a current phase of the research process or a current issue. You might use this statistic to discuss how employers could research employee fraud without violating the privacy rights of employees who are doing nothing wrong.
        - **$944**…The amount, in millions, that employers will lose this year due to employee fraud.
- **Pull Quote**
    - Use each chapter's pullquote to discuss a current issue related to the chapter.
    - In this case, the quote deals with the emergence in business of the privacy professional. You can use this quote to discuss the advantages and disadvantages of having one person overseeing all issues related to employee, company, vendor, and customer privacy.
        - "Today, it would be remiss to say that the privacy profession is anything but flourishing. Companies are increasingly hiring privacy officers and even elevating them to C-suite positions; the European Commission has proposed a statute in its amended data protection framework that would require data protection officers at certain organizations, and, at the International Association of Privacy Professionals (IAPP) membership recently hit 10,000 worldwide."

Angelique Carson, CIPP/US,
International Association of Privacy Professionals

- **WWW Exercise**
  - Do research companies have special ethical guidelines for research involving children? Use a Web search engine like Google.com or Bing.com to find out.
    - Instructors: www.ftc.gov and www.coppa.org will provide significant information.
  - Visit at least two of the Web sites of research trade associations mentioned in Exhibit 2-5 and compare their codes of ethics. Are these codes identical? If not, what differences do you perceive?

- Class discussion or research project:
  - Germany's war history prompted the government to forbid many types of medical research. Have students search the internet for information that will help them answer the following questions, and then present it in report form:
    - "What type(s) of medical research is currently banned in Germany?"
    - "Which government agency monitors medical research?"
    - "What are the penalties for violating the ban?"
  - If researchers are responsible for the ethical conduct of their research, are they solely responsible for the burden of protecting participants from every conceivable harm?
  - Have students research and present a report on the Nuremberg Code. The paper should detail the circumstances that prompted the creation of the code, who authored the code, and which countries and/or agencies are most impacted by it.
  - Have students research and present a report on the following laws:
    - Public Law 95-38 (Privacy Act of 1974): the first law guaranteeing Americans the right to privacy.
    - Public Law 96-440 (Privacy Act of 1980): carries the right to privacy further.
    - 18 U.S.C. § 2710 (2002); Video Privacy Protection Act of 1988 provides for a general ban on the disclosure of personally identifiable video rental information unless the consumer consents specifically and in writing.

CHAPTER VIGNETTE

BRINGING RESEARCH TO LIFE

- Jason and Sara are discussing an action taken by a potential new client and Jason's response to that action.
  - Jason has met with a potential client that wanted him to do something Jason found completely unethical: to conduct an exploratory research study into the proposed and planned activities of a competitor by using a false job-interview format to lure competitor's employees seeking job advancement to the interviews—individuals who would be unlikely to volunteer to participate in such an interview if the true purpose was revealed.
  - Based on information gleaned from the actions of another executive, the computer peripheral manufacturer had sent out a *request for proposal* (RFP), requesting firms with focus-group facilities to submit proposals to conduct several taped, individual depth interviews. The hidden purpose of the interviews was to discover competitor's growth plans. Supposedly, another firm had tried this and successfully lured one of its major competitor's director of business development to apply for the fake position. In the context of the interview the executive had revealed information about his employer's growth plans in Mexico.
  - During the interview to determine if Henry and Associates will be awarded the contract for this research project, Jason discovers that the project is not as it was detailed in the RFP.
    - He leaves the interview, withdrawing his proposal and taking his company's physical proposal with him.
    - He identifies the other companies vying for the project based on the proposals clearly visible on the manufacturer's desk.
    - He calls his counterpart at the other research companies and reveals the true purpose and design of the project being proposed.
- Some Discussion Questions:
  - Who acted unethically here?
    - Is it appropriate/inappropriate for a potential client (the computer peripheral manufacturer) to suggest a methodology to the person or firm it wants to do the actual research?
    - Was it appropriate/inappropriate for Jason to withdraw the Henry and Associates proposal?
    - Was it appropriate/inappropriate for Jason to use the visible covers of other research suppliers' proposals to identify the other companies competing for the research contract.

  - Was it appropriate/inappropriate for Jason to contact his counterpart at the identified research companies to alert them to the situation that he had discovered in the interview?

- If research was done as the computer peripheral manufacturer suggested, what would be appropriate actions for competitors?
  - Is there a basis for a fraud action by . . .
    - A competing computer peripheral manufacturer against its competitor?
    - A research company that would do the study as suggested?
    - A research facility that would allow the described research to take place in their facility.
- Should an employee be terminated for revealing research results or business plans to a competitor, even if he/she is tricked into doing so?
- Should a researcher be terminated for revealing research results or business plans to a competitor, even if he/she is tricked into doing so?
- Is any research activity acceptable when you are trying to learn about a competitor's practices or plans?
  - P&G found itself in an awkward situation just a few years ago when a company it had hired to conduct business intelligence activities was discovered to have searched trash dumpsters of a competitor, finding a draft of a three-year marketing plan during the dumpster-dive. P&G returned the documentation to the competitor, but the competitor still felt as though those plans were significantly compromised.

CHAPTER LECTURE NOTES

WHAT ARE RESEARCH ETHICS?

- **Ethics** are norms or standards of behavior that guide moral choices about our behavior and our relationships with others.
- The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities.
  - Unethical activities are pervasive and include such things as:
    - Violating nondisclosure agreements
    - Breaking respondent confidentiality
    - Misrepresenting results
    - Deceiving people

    - Invoicing irregularities
    - Avoiding legal liability

- A recent study showed that:
  - 80 percent of the responding organizations had adopted an ethical code.
  - There was limited success for codes of conduct.
- There is no single approach to ethics.
  - Advocating strict adherence to a set of laws is difficult because of the constraint put on researchers.
  - Because of their war history, Germany's government forbids many types of medical research.
  - Sometimes, an individual's personal sense of morality is relied upon.
    - This can be problematic because each value system claims superior moral correctness.
- Clearly a middle ground is necessary.
  - The foundation for a middle ground is an emerging consensus on ethical standards for researchers.
  - Codes and regulations guide both researchers and sponsors.
  - Review boards and peer groups examine research proposals for ethical dilemmas.
- Many design-based ethical problems can be eliminated by careful planning and constant vigilance.
  - Responsible research anticipates ethical dilemmas and adjusts the design, procedures, and protocols during the planning process.
  - Ethical research requires personal integrity from the researcher, the project manager, and the research sponsor.
- Exhibit 2-1 relates each ethical issue under discussion to the research process.

ETHICAL TREATMENT OF PARTICIPANTS

- In general, research must be designed so that a respondent does not suffer physical harm, discomfort, pain, embarrassment, or loss of privacy.
- To safeguard against these, the researcher should follow three guidelines:
  - Explain study benefits.
  - Explain participant rights and protections.
  - Obtain informed consent.

Benefits

- Whenever direct contact is made with a participant, the researcher should discuss the study's benefits, without over- or understating the benefits.
- An interviewer should begin an introduction with:
  - His or her name.
  - The name of the research organization.
  - A brief description of the purpose and benefit of the research.
- Knowing why one is being asked questions improves cooperation.
- Inducements to participate, financial or otherwise, should not be disproportionate to the task or presented in a fashion that results in coercion.
- Sometimes, the purpose and benefits of the study or experiment must be concealed from respondents in order to avoid introducing bias.
- The need for concealing objectives leads directly to the problem of deception.

Deception

- **Deception** occurs when the participants are told only part of the truth, or when the truth is fully compromised.
- There are two reasons for deception:
  - To prevent biasing the participants
  - To protect the confidentiality of a third party
- Deception should not be used to improve response rates.
- When possible, an experiment or interview should be redesigned to reduce reliance on deception.
- Participants' rights and well-being must be adequately protected.
  - Where deception in an experiment could produce anxiety, a subject's medical condition should be checked to ensure that no adverse physical harm follows.
  - The American Psychological Association's ethics code states that the use of deception is inappropriate unless deceptive techniques are justified by the study's expected value and equally effective alternatives that do not use deception are not feasible.
  - Participants must have given their informed consent before participating in the research.

Informed Consent

- Securing **informed consent** from respondents is a matter of fully disclosing the procedures of the proposed study or other research design before requesting permission to proceed.
- It is always wise to get a signed consent form when:
  - Dealing with children
  - Doing research with medical or psychological ramifications
  - There is a chance the data could harm the participant
  - If the researchers offer only limited protection of confidentiality
- For most business research, oral consent is sufficient.
- Exhibit 2-2 presents an example of how informed-consent procedures are implemented.
- In situations where respondents are intentionally or accidentally deceived, they should be debriefed once the research is complete.

Debriefing Participants

- **Debriefing** involves several activities following the collection of data:
  - Explanation of any deception.
  - Description of the hypothesis, goal, or purpose of the study.
  - Post-study sharing of results.
  - Post-study follow-up medical or psychological attention.
- It explains the reasons for using deception in the context of the study's goals.
- Where severe reactions occur, follow-up attention should be provided to ensure that the participants remain unharmed.
- Even when research does not deceive the participants, it is good practice to offer them follow-up information.
  - This retains the goodwill of the participant and provides an incentive to participate in future projects.
- Follow-up information can be provided in a number of ways:
  - With a brief report of the findings.
  - With descriptive charts or data tables
- For experiments, all participants should be debriefed in order to put the experiment into context.

- Debriefing usually includes a description of the hypothesis being tested and the purpose of the study.
- Debriefing allows participants to understand why the experiment was created.
- Researchers also gain insight into what the participants thought about during and after the experiment, which can lead to research design modifications.

- The majority of participants do not resent temporary deception, and debriefed participants may have more positive feelings about the value of the research than those who didn't participate in the study.
- Nevertheless, deception is an ethically thorny issue and should be addressed with sensitivity and concern for research participants.

Rights to Privacy

- Privacy laws in the United States are taken seriously.
  - All individuals have a right to privacy, and researchers must respect that right.
- Desire for privacy can affect research results.
  - Example: Employees at MonsterVideo did not guarantee privacy, so most respondents would not answer research questions about their pornographic movie viewing habits truthfully, if at all.
  - The privacy guarantee is important not only to retain validity of the research but also to protect respondents.
- Once the guarantee of **confidentiality** is given, protecting that confidentiality is essential.
  - Obtain signed nondisclosure documents.
  - Restrict access to participant identification.
  - Reveal participant information only with written consent.
  - Restrict access to data instruments where the participant is identified.
  - Do not disclose data subsets.
- Researchers should restrict access to information that reveals names, telephone numbers, addresses, or other identifying features.
  - Only researchers who have signed nondisclosure, confidentiality forms should be allowed access to the data.
  - Links between the data or database and the identifying information file should be weakened.
  - Interview response sheets should be accessible only to the editors and data entry personnel.
  - Occasionally, data collection instruments should be destroyed once the data are in a data file.

- Data files that make it easy to reconstruct the profiles or identification of individual participants should be carefully controlled.
  - For very small groups, data should not be made available because it is often easy to pinpoint a person within the group.
  - This is especially important in human resources research.
- Privacy is more than confidentially.
  - A **right to privacy** means one has the right to refuse to be interviewed or to refuse to answer any question in an interview.
  - Potential participants have a right to privacy in their own homes, including not admitting researchers and not answering telephones.
  - They have the right to engage in private behavior in private places, without fear of observation.
- To address these rights, ethical researchers:
  - Inform participants of their right to refuse to answer any questions or participate in the study.
  - Obtain permission to interview participants.
  - Schedule field and phone interviews.
  - Limit the time required for participation.
  - Restrict observation to public behavior only.

Data Collection in Cyberspace

- Some ethicists argue that the very conduct that results in resistance from participants—interference, invasiveness in their lives, denial of privacy rights—has encouraged researchers to investigate topics online.
- The growth of cyberstudies causes us to question how we gather data online, deal with participants, and present results.
- Issues relating to cyberspace in research also relate to data mining.
- The information collection devices available today were once the tools of spies, the science fiction protagonist, or the superhero. For instance:
  - Smart cards
  - Biometrics
  - Electronic monitoring
  - Global surveillance
  - Genetic identification (DNA)

- All these things are used to track and understand employees, customers, and suppliers.
- The primary ethical data-mining issues in cyberspace are *privacy* and *consent*. (see Exhibit 2-3)
  - ♦ Smart cards that contain embedded personal information can be matched to purchase, employment, or other behavior data.
    - o Use of such cards offer the researcher implied consent to participant surveillance.
    - o Smart cards are commonly used by grocers, retailers, wholesalers, medical and legal service providers, schools, government agencies, and so on.
    - o In most cases, participants provide the personal information requested by enrollment procedures.
    - o In others, enrollment is mandatory, such as when smart cards are used to track convicted criminals in correctional facilities or those attending certain schools.
  - ♦ In some cases, mandatory sharing of information is for personal welfare and safety, such as when you admit yourself for a medical procedure.
  - ♦ In other cases, enrollment is for monetary benefits.
  - ♦ The bottom line is, the organization collecting the information gains a major benefit: the potential for better understanding and competitive advantage.
- General privacy laws may not be sufficient to protect the unsuspecting in the cyberspace realm of data collection.
    - o 15 European Union (EU) countries started the new century by passing the European Commission Data Protection Directive.
    - o Under this directive, commissioners can prosecute companies and block websites that fail to live up to its strict privacy standards.
    - o The directive prohibits the transmission of names, addresses, ethnicity, and other personal information to any country that fails to provide adequate data protection.
    - o This includes direct mail lists, hotel and travel reservations, medical and work records, orders for products, and so on.
  - ♦ U.S. industry and government agencies have resisted regulation of data flow, but the EU insists that it is the right of all citizens to find out what information about themselves is in a database and correct any mistakes.
    - – Few U.S. companies would willingly offer such access due to the high cost.
- If researchers are responsible for the ethical conduct of their research, are they solely responsible for the burden of protecting participants from every conceivable harm?

ETHICS AND THE SPONSOR

- Whether undertaking product, market, personnel, financial, or other research, a sponsor has the right to receive ethically conducted research.

Confidentiality

- Some sponsors wish to undertake research without revealing themselves.
  - Types of confidentiality include:
    - Sponsor nondisclosure
    - Purpose nondisclosure
    - Findings nondisclosure
- Companies have a right to dissociate themselves from the sponsorship of a research project. This is called **sponsor nondisclosure**.
  - This is often done when a company:
    - Is testing a new product idea, to avoid having the company's current image or industry standing influence potential consumers.
    - Is contemplating entering a new market, to keep from tipping off competitors.
  - In such cases, it is the responsibility of the researcher to devise a plan that safeguards the identity of the sponsor.
- **Purpose nondisclosure** involves protecting the purpose of the study or its details.
- Even if a sponsor feels no need to hide its identity or the study's purpose, most sponsors want the research data and findings to be confidential, at least until the management decision is made.
- Thus, sponsors usually demand and receive **findings nondisclosure** between themselves or their researchers and any interested but unapproved parties.

Sponsor-Researcher Relationship

- The obligations of managers include:
  - Specify their problems as decision choices.
  - Provide adequate background information.
  - Provide access to company information gatekeepers.
- The obligations of researchers include:
  - Develop a creative research design that will provide answers to manager's questions.

- Provide data analyzed in terms of problems/decision choices specified.
- Point out limitations of research that affect results.
- Make choices between what manager wants and what research thinks should be provided.

- Manager-Researcher conflict arises due to:
  - Knowledge gap between researchers and the manager.
  - Job Status and internal political coalitions to preserve status.
  - Unneeded or inappropriate research.
  - The right to quality research.

Knowledge Gap

- Managers have limited exposure to research and often have limited formal training in research methodology.
- Explosive growth in research technology has led to a widening of this gap in expertise.

Job Status and Internal Coalitions

- Researchers challenge a manager's intuitive decision making skill.
- Managers feel requesting research is equivalent to indicating their decision making skills are lacking.
- One research function—to challenge old ideas—as well as to challenge new ideas threatens insecure managers by inviting a critical evaluation of a manager's ideas by others who may be seen as rivals.

Unneeded or Inappropriate Research

- Research has inherent value only to the extent that it helps management make better decisions.
- Not all decisions require research.
- Decisions requiring research are those that have potential for helping management select more efficient, less risky, or more profitable alternatives than would otherwise be chosen without research.

Right to Quality Research

- An important ethical consideration for the researcher and the sponsor is the sponsor's **right to quality** research. This right entails:
  - Providing a research design appropriate for the research question.
  - Maximizing the sponsor's value for the resources expended.
  - Providing data-handling and –reporting techniques appropriate for the data collected.
- From the proposal to final reporting, the researcher guides the sponsor on the proper techniques and interpretations.
  - The researcher should propose the design most suitable for the problem.
  - A researcher should not propose activities designed to maximize researcher revenue or minimize researcher effort at the sponsor's expense.
- We've all heard "You can lie with statistics." It is the researcher's responsibility to prevent that from occurring.
- The ethical researcher reports findings in ways that minimize the drawing of false conclusions.
- The ethical researcher also uses charts, graphs, and tables to show data objectively, despite the sponsor's preferred outcomes.

Sponsor's Ethics

- Occasionally, research specialists may be asked by sponsors to participate in unethical behavior.
  - Compliance by the researcher would be a breach of ethical standards.
  - Examples of things to avoid:
    - Violating participant confidentiality.
    - Changing data or creating false data to meet a desired objective.
    - Changing data presentations or interpretations.
    - Interpreting data from a biased perspective.
    - Omitting sections of data analysis and conclusions.
    - Making recommendations beyond the scope of the data collected.
- What effects does giving in to this type of coercion have?
  - Will the sponsor ever trust the researcher again?
  - If your ethical standards are for sale, which sponsor might be the highest bidder next time?

- The promise of future contracts may seem enticing, but it is unlikely that the promise will be kept.
- The rewards for behaving unethically are illusory, and can threaten one's professional reputation.

- Behaving ethically often requires confronting the sponsor's demand and:
  - Educating the sponsor to the purpose of research.
  - Explaining the researcher's role in fact finding versus decision making.
  - Explaining how distorting the truth or breaking faith with participants leads to future problems.
  - Failing moral suasion, terminate the relationship with the sponsor.

RESEARCHERS AND TEAM MEMBERS

- Researchers are responsible for their team's safety, as well as their own.
- Responsibility for ethical behavior rests with the researcher who, along with assistants, is charged with protecting the anonymity of both the sponsor and the participant.

Safety

- Researchers must design a project so that the safety of all interviewers, surveyors, experimenters, or observers is protected.
- Factors that may be important when ensuring a researcher's **right to safety**:
  - Some urban and undeveloped rural areas may be unsafe for researchers.
  - If persons must be interviewed in a high-crime district, it may be necessary to provide a second team member to protect the researcher.
  - It is unethical to require staff members to enter an environment where they feel physically threatened.
- Researchers who are insensitive to these concerns face both research and legal risks.

Ethical Behavior of Assistants

- Researchers should require ethical compliance from team members.
- Assistants are expected to:
  - Carry out the sampling plan
  - Interview or observe respondents without bias
  - Accurately record all necessary data

- The behavior of the assistance is under the direct control of the responsible researcher or field supervisor.
  - If an assistant behaves improperly in an interview, or shares a respondent's interview sheet with an unauthorized person, it is the researcher's responsibility.
  - Consequently, all assistants should be well trained and supervised.

Protection of Anonymity

- Each researcher handling data should be required to sign a confidentiality and nondisclosure statement.

PROFESSIONAL STANDARDS

- Many corporations, professional associations, and universities have a **code of ethics**.
  - The impetus for these policies and standards can be traced to two documents:
    - The Belmont Report of 1979
    - The *Federal Register* of 1991
- Society or association guidelines include ethical standards for the conduct of research.
  - One source contains 51 official codes of ethics issued by 45 associations in business, health, and law.
  - Without enforcement, standards are ineffectual.
  - Effective codes:
    - Are regulative
    - Protect the public interest and interests of the profession served by the code
    - Are behavior-specific
    - Are enforceable
- A study that assessed the effects of personal and professional values on ethical consulting behavior concluded that "… *unless ethical codes and policies are consistently reinforced with a significant reward and punishment structure and truly integrated into the business culture, these mechanisms would be of limited value in actually regulating unethical conduct.*"
- The U.S. government implemented the Institutional Review Boards (IRBs) in 1966.
  - The Dept. of Health and Human Services (HHS) translated the federal regulations into policy.
  - Most other federal and state agencies follow the HHS-developed guidelines.
  - Each institution receiving funding from HHS, or doing research for HHS, is required to have its own IRB to review research proposals.

- Exhibit 2-4 describes some characteristics of the Institutional Review Board process.

- IRBs concentrate on two areas:
  - The guarantee of obtaining complete, informed consent from participants.
  - The risk assessment and benefit analysis review.
- The need to obtain informed consent can be traced to the first 10 points in the Nuremberg Code.
  - Complete informed consent has four characteristics:
    - The participant must be competent to give consent.
    - Consent must be voluntary.
    - Participants must be adequately informed to make a decision.
    - Participants should know the possible risks or outcomes associated with the research.
- In the risk assessment and benefit analysis review:
  - Risks are considered when they add to the normal risk of daily life.
  - The only benefit considered is the immediate importance of the knowledge to be gained.
  - Possible long-term benefits are not considered.
- Right to Privacy laws that influence the ways in which research is carried out:
  - Public Law 95-38 (Privacy Act of 1974): the first law guaranteeing Americans the right to privacy.
  - Public Law 96-440 (Privacy Act of 1980): carries the right to privacy further.
  - These two laws are the basis for protecting the privacy and confidentiality of the respondents and the data.

RESOURCES FOR ETHICAL AWARENESS

- According to the Center for Business Ethics at Bentley College:
  - Over a third of Fortune 500 companies have ethics officers.
  - Almost 90 percent of business schools have ethics programs.
- Exhibit 2-5 provides a list of recommended resources for business students, researchers, and managers.
- The Center for Ethics and Business at Loyola Marymount University provides an online environment for discussing issues related to the necessity, difficulty, costs, and rewards of conducting business ethically.

- Its website offers a comprehensive list of business and research ethics links.

ANSWERS TO DISCUSSION QUESTIONS

An Approach to Mini Case Discussion Questions with Ethical Dilemmas and Decisions

Cases involving ethical dilemmas can often be examined using a simple reference checklist. While cases in a value-laden area such as ethics generate diverse opinions, the use of the analytical structure detailed below is instructive. The parameters explained become a checklist for analysis in discussions in ethics and related areas.

Principle: Examine an action or decision in terms of its basic value principles. This is an examination in deontological terms. For instance, has the individual been truthful or are facts falsified? Has the individual been straightforward or deceptive?

Legality: What does the letter of the law specify? Examine the issue from a legal perspective.

Intent: What was the intent? Was it to deceive? Was it to violate the law? Was it to cause harm? For instance, while the consequence of an accident may be death, it is not treated as the same as first degree murder, which involves the intent to kill. To consider another example, there may be an error in tax procedures and documentation that may be against the law by itself, yet there may be no tax evasion, or intent to evade taxes.

Consequence: Examine the impact or consequence of the decision; this is a teleological perspective. Did it do widespread damage? Did it harm anyone, and, if so, to what extent?

Consequence on the Perceptions of the External Publics: How do external publics perceive the decision or action. For instance, animal based research can negatively influence the image of a cosmetic manufacturer.

Consequence on the Perceptions of the Internal Publics: How does the action or decision affect the publics within the organization. For instance: Does a one time acceptance of an unethical research practice, lead to a situation where researchers repeatedly start seeking an easy way out, and possibly concocting data? Does an acceptance of giving bribes reduce the accountability of the sales force? In this case, is the organization paying its sales force to make a sales effort or to give bribes?

Awareness and Involvement: How aware of the facts and how involved with the decisions was the individual under judgment? Was the individual actively involved or passively aware? Remotely connected or highly instrumental?

Discussion Question Answers

1. Competitive Coup in the In-Flight Magazine.

Without being prescriptive, the analysis could be based on one of the following lines of argument:

Should "found" resources be used, as a matter of principle? The law and property rights, or even intellectual property rights, give the rights of use to the principal owner or developer. Here questions can be discussed regarding the role of somebody who heads market "intelligence" as distinct from marketing "research."

In terms of consequences, one of the issues arises from questions regarding the authenticity of the document. Nothing is mentioned about its origins, dates, or signatures, if any. Frequently with illegally obtained documentation there are doubts about authenticity. In this case the document may well be one which has been rejected, amended or altered substantially. It could have been purely tentative, perhaps prepared by a management trainee. It could have been prepared with the intention of deceiving competitors. In other cases, information purchased illegally has no guarantees, simply because the transaction "never took place," and the giver of information cannot be held responsible.

If the use of the find is condoned, it impacts the personal credibility of the manager for market intelligence. Who knows, she may have stolen the document; the next time the organization loses a document, she could become a likely suspect. Condoning the use of the document sends signals that the organization is willing to accept non-verifiable forms of data collection, and subsequently this could lay the base for "claims and storytelling" within the organization, based on "confidential non verifiable sources," rather than rigorous and reliable research.

One of the strongest arguments in favor of strictly ethical behavior is the conclusion that the acceptance of unethical conduct at any level erodes the image and effectiveness of management. Within the organization it erodes accountability, and the utility of performance measures which focus on personal effort, rather than fortuitous circumstances or illegal payments.

2. Free Waters in Miro Beach: Boaters Inc. versus City Government.

This case has a series of incidents that should be first analyzed individually and then together:

- The issue of the city staff using the proposal submitted by the university staff as the principal guideline for conducting research.
- The possibility that this research was conducted by untrained and under-qualified staff.
- The procedure used by the city itself appears to be inadequate; even the proposal document used if prepared by the university staff cannot be as complete and detailed as a research plan developed for implementation.

- The presumption that a request for public records was an effort to blackmail the city. Records are declared public records for a reason. The case does not mention whether there was an effort to also delay the availability of these documents.

Although given the broad scope of the request, the volume alone may have delayed the request.

- The use of an infiltrator, the PI, which appears to be a case of: (1) invasion of privacy, (2) obtaining work under false pretenses, (3) working for an organization against its own interests and drawing a salary from this organization as well as its opponent.
- The city, making escalating financial commitments, to what appears to be an incorrect and failing course of action against the best interests of its citizens.

Some interesting questions for discussion in this case are:

A) The university proposal could have been made on a "need to know" basis, giving necessary rather than exhaustive details; if not, then the proposal should have protected the university staff and public through an appropriate nondisclosure agreement. In the absence of a nondisclosure agreement, the rights of the city may be brought up as a matter of discussion of "principle."

B) The consequences of improper research here are to be examined in terms of impacts. Consider: litigation costs, improper ordinances and consequent impacts on taxes and revenues, perceived impressions of city management within the city's own bureaucracy, the response and perception of the city in the eyes of the public and their level of confidence.

C) The issue of the use of public documents can be discussed. One perspective is that a system of public documents is meant to enhance information flow, and is to be used by both sides to a controversy in the interest of informed decision making. The answer to queries based on public documents implies better research.

D) Does the issue of invasion of privacy and the use of a PI to infiltrate, actually go beyond invasion of privacy issues? Can any government agency create informers and a system of infiltration? Can/should this be allowed in the event of criminal conspiracies? Should such powers be restricted to certain law enforcement agencies?

E) Examine issues of involvement and awareness. Who should be held liable, to what extent and why? How should penalties be imposed on individuals, as against the city? Is the suit against the city justified, and in the event of judgments against the city, what managerial action is recommended to prevent such occurrences in future.

F) Finally this appears to be a classic example of the managerial dilemma, "escalation of commitment to a failing course of action." The discussion should identify and hold people accountable who fought the backlash, rather than remedy the problem through better or additional research.

3. The High Cost of Organizational Change.

Some of the issues for discussion are:

A) An employee survey has never been taken in this organization. In the charged atmosphere that appears to prevail, will the survey be perceived by participants as a means to report facts authentically, or will participants exaggerate the negative state of affairs, since they may view the survey as an instrument with which to create pressure. Would the report be unbiased when the researcher is in an environment where "he consoles himself" with the goodwill of 500 cooperative employees, who tie their hopes to the project?

B) What methods can be adopted to eliminate this bias? Should the survey have been presented as a survey desired by management, or a general survey required by some other research organization? Would the latter deception be justified in the interest of unbiased research?

C) How should the researcher respond to incentives and coercion from the VP, and how is he to handle the request that he compromise his research integrity? Here students explore various executive alternatives that the researcher can use. These may include a wider circulation of the report, if specific restrictions are not placed on the researcher. Each alternative would generate a corresponding set of consequences.

D) In case the researcher does not compromise his report, then how is he to respond in case top management decides to "kill" the report through information stifling, or by appointing a more compliant researcher to prepare a new report.

E) As in the earlier cases, the consequences of unethical top management actions can be discussed, in terms of the impact on the "management environment," and perceptions of a lack of managerial integrity that would filter through the system, possibly to all levels.

4. Data-Mining Ethics and Company Growth Square Off.

A) One issue in this particular case is the nature of data used from XYZ Corporation's data warehouse. The data can be an outcome of:

(1) careful research,

(2) information that is inevitably available to a supplier as an outcome of transactions, and may therefore not be considered privileged, or

(3) data that has been made available on the presumption or condition that it will not be used adversely.

B) While the above subtleties are not elaborated in the case, different contexts to the nature of the information can change approaches to the problem. The second issue pertains to an understanding of the capitalist ethic. Principles of competition have been expressed as paradigms of "opportunistic behavior," in theoretical developments in economics, such as transaction cost analysis. This paradigm of competing opportunistically was earlier considered well justified with an acceptance of the capitalist system. However, more recently, there has been a focus on relational systems of "cooperation," which have a longer time horizon, and reduce the possibility of opportunistic behavior between potential partners, yet create long term competitive competencies. In this case, to compete it is necessary to enter the acrimonious decision making area where "some are made better off, only at the cost of others," to explore areas of cooperation, which in fact may provide other advantages later. The debate between principles of cooperation versus competition has been exemplified in debates between Japanese and western management styles. This case gives a research case twist to this debate.

C) The case analysis could examine the legal aspects of the situation versus ethical infringements on data confidentiality and the misuse of data. Consequences relate to XYZ's actions on the "victims" of the competition. Other consequences are on the public's perception of the aggressive organization (XYZ) and the perception of its associates, suppliers, buyers and employees. Changes in relationships, perceptions of commitment, and trust are key issues here.

From the Headlines

5. Hearsay Social is a company developed to monitor how workers at large companies interact with customers on Facebook, LinkedIn and other social media sites. Companies pay $100,000 or more for a digital dashboard that alerts supervisory managers if employees are violating privacy policies, regulatory compliance rules, or other company policies. If you were a large client, like Farmers Insurance, what would you want built into the dashboard.

This is a good question for brainstorming about information that is not appropriate for researchers to collect. Even students without insurance experience should be savvy enough to know that personal information like Social Security or other official identification numbers, and credit card or bank accounts should never be collected by employees on a social media site. But of even more value is a discussion about what information employees should not share with professional colleagues at other companies. Students might be quick to mention financial performance measures and patents, but might be less likely to mention new training initiatives, corporate operations moves like new locations, new ad campaigns about to launch, seminars where executives will be speaking, etc. A second aspect of this exercise should be

about how such a dashboard might be used to help make better deicsions. It could identify employees who are leveraging his or her social media interactions to garner new customers or more business from existing customers, or early identification of employee disenchantment or customer dissatisfaction. Finally, students should be guided to discuss the ethics of monitoring employee social media behavior.

ADDITIONAL DISCUSSION OPPORTUNITIES

Video or Written Case Discussion

Cases appropriate for discussion of concepts in this chapter include the following. See the separate Case Analysis document in the Instructor's Manual folder of the Online Learning Center and the Case Abstract section in the book to identify video cases, or written cases with video components.

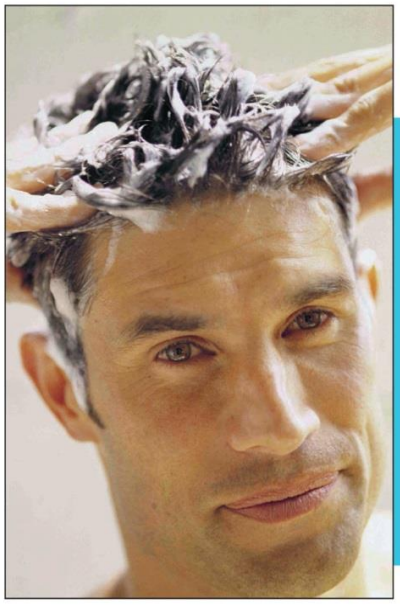
- **Akron Children's Hospital**
- **Cummins Engines**
- **Proofpoint: Capitalizing on a Reporter's Love of Statistics**

Discussion Using Prior Snapshots, PicProfiles, Exhibits or Pullquotes

Pull Quote:

- Use this quote to discuss all dimensions of informed consent.
- "[Privacy pragmatists are] often willing to allow people to have access to, and to use, their personal information where they understand the reasons for its use, where they see tangible benefits for so doing, and when they believe care is taken to prevent the misuse of this information."

Humphrey Taylor, chairman of The Harris Poll®
Harris Interactive



>picprofile

In April 2001, Procter & Gamble notified its competitor Unilever that more than 80 discarded documents detailing Unilever's three-year marketing plans for its hair care business had been collected by independent information agents hired by a P&G supplier. P&G voluntarily returned the documents, indicating that competitive intelligence gathering involving documents taken from trash receptacles was a violation of its ethical standards. Unilever believed that additional information was obtained by deception, with information gatherers claiming to be market analysts. Believing its hair care business had been irreparably compromised, Unilever sought financial restitution and restrictions on P&G's marketing activities in the hair care business. By September these hair care powerhouses had reached an out-of-court settlement. While details were not disclosed, news sources report that it cost P&G a minimum of $10 million. Unilever's hair care brands in the United States include Suave, Finesse, ThermaSilk, Salon Selectives, Rave, and Aqua Net. P&G markets Pert and Head and Shoulders. www.pg.com; www.unilever.com

>snapshot

HP: Data's Safe Harbor

The European Union's data protection directive was adopted October 25, 1998. It sets strict standards for companies sending, sharing, or receiving data within EU member countries. On November 1, 2000, the voluntary U.S. Safe Harbor guidelines for transferring personal data between the United States and member countries of the European Union took effect. Claiming that "consumer confidence will be enhanced by ensuring customer privacy rights on- and off-line," Hewlett-Packard's customer privacy manager Barbara Lawler announced February 12, 2001, that HP would be the first high-tech company "to participate in the 'safe harbor' agreement between the U.S. Department of Commerce and European Union Data Protection Authorities."

HP's privacy policy directly addresses globally recognized fair information practices, including notifying customers about data collection, giving customers a choice for marketing contact and data sharing, allowing customers to access and modify collected data, and providing strong security and third-party oversight. The safe-harbor provisions provide legal protection and a framework allowing for the safe transfer of personal information from European Union countries to the United States. As of 2003, 267 U.S. organizations had certified their compliance with the safe-harbor principles.

www.hp.com

>snapshot

Privacy Policy Turns JetBlue Red

Is enhanced Homeland Security justification for violating customers' privacy rights? JetBlue Airlines thought so in September 2002 when it provide more than 1.5 million customer itineraries, and private personal information to a defense contractor, Torch Concepts, for a test of a proposed airline screening project to identify likely terrorists.

The Transportation Security Administration of the U.S. federal government is charged in a petition brought to the Federal Trade Commission with facilitating the information transfer to Torch Concepts. Torch Concepts supplemented the provided information with matching information including social security numbers, occupations, vehicle ownership, number of children, and income and other personal information purchased from Acxiom. Torch Concepts presented at a February 25, 2003 technology conference a study entitled "Homeland Security–Airline Passenger Risk Assessment." Data contained in the presentation referenced personal information from JetBlue customers. The presentation was later posted to the conference sponsor's Web site until it was removed September 16, 2003.

"The Privacy Act of 1974 regulates the government's collection, maintenance, use, and dissemination of personal information, and specifically provides protection for the Social Security number." The Electronic Information Center (EIC), a non-profit, public service research organization decried JetBlue's violation of its own privacy policy, which prohibits the sharing of customer information for any reason. On September 22, 2003 EIC filed a *Complaint and Request for Injunction, Investigation and for Other Relief* with the Federal Trade Commission. It charged "JetBlue Airways Corporation and Acxiom Corporation [as having] engaged in deceptive trade practices affecting commerce by disclosing consumer personal information to Torch Concepts Inc., an information mining company with its principal place of business in Huntsville, Alabama, in violation of 15 U.S.C. § 45(a)(1)." In an apologetic e-mail sent to angry customers, JetBlue chief executive David Neeleman concluded, "This was a mistake on our part."

www.jetblue.com; www.epic.org; www.acxiom.com; www.torchconcepts.com

>snapshot

Engendering Trust Online

With the Internet a growing source of research information, participants in such research deserve to know how the information they share will be used. According to Truste.org, "As an Internet user, you have a right to expect online privacy and the responsibility to exercise choice over how your personal information is collected, used, and shared by websites." Truste.org offers its trustmarks to Internet sites that follow its privacy guidelines:

- *Adoption and implementation of a privacy policy* that takes into account consumer anxiety over sharing personal information online.
- *Notice and disclosure* of information collection and use practices.
- *Choice and consent,* giving users the opportunity to exercise control over their information.
- *Data security and quality and access* measures to help protect the security and accuracy of personally identifiable information.

www.truste.org

>snapshot

Google: Tracking Search Patterns

According to Nielsen/NetRatings and SearchEngineWatch.com, Internet users in the United States spent about 26.5 hours a month online and executed 214 million searches a day, 91 million of them on Google. Google tracks searches by time of day, originating IP address, and sites on which the user clicked. Even though queries come from more than 100 countries, patterns emerge. Google provides these aggregate patterns on its website Google Zeitgeist, but it protects its raw data from prying eyes in compliance with its privacy policy. It knows, for example, that networking sites *Bebo* and *MySpace* generated the most Google searches and that Paris Hilton earned the top spot on searches on Google News. We are vitally interested in understanding the world around us, shown by the fact that ". . . 'oil spill' was one of the top 'topic searches' following the BP rig explosion." What makes Google tracking a researcher's goldmine is its ability to predict future trends as well as mirror current trends. Businesses are interested not only in these predictive capabilities but also because searches reveal things about individuals that they wouldn't willingly talk about with researchers. So, while Google publishes some of its aggregate trends on its Zeitgeist website, it is just beginning to explore how to use the more detailed data for its own business-development purposes.

www.google.com/intl/en/press/zeitgeist/index.html;

www.netratings.com; www.searchenginewatch.com

Additional Discussion Question:

Assume you were contracted as a research supplier to Apple during the development of the iPad, introduced in 2010. What ethical issues would have influenced your firm's behavior in its involvement with this project?

Several factors affect outsourcing selection and the research supplier should be aware that the answers are complex. Unlike typical sweatshop practices of Nike as late as 2007, the electronics industry has more complicated processes, diversity of worker skills, and parts specificity. Nevertheless, with growing skepticism about China's manufacturing model after years of pressing workers to toil six or seven days a week, 10 to 12 hours a day, suicides at contract manufacturers like Foxconn, labor disputes and strikes, and suppliers searching for ways to reduce costs, the concern for worker health and safety is a major ethical issue.

The difficulty in finding suppliers is that companies that supply parts and manufacture operate on the slimmest of profit margins, while soaring labor costs pose a serious problem. Wages in China have risen by more than 50 percent since 2005, and many factories, pressured from local governments and workers who feel they have been underpaid for too long, have raised wages by an extra 20 to 30 percent. China's currency has also appreciated sharply against the United States dollar since 2005, and after a two-year pause by Beijing, economists expect the renminbi to rise about 3 to 5 percent a year for the next several years.

Many companies consider moving inland to poorer provinces, where wages are 20 to 30 percent lower and they try to find larger and cheaper sources of raw material. This worsens the problems for workers. Your firm must make Apple aware that their drive for margins (and emphasis on the highest margins in the industry) has ethical consequences including restricting the types of suppliers of labor and parts they can select. iSuppli reports the cost of building the iPad ranges from $219.35 (for the 16 GB version without 3G), to $334.95 for the 64 GB version with 3G. MSRP of the iPad will range from $499 to $829. The gross margin - not including R&D, marketing expenses and various other costs - will range from 54%-60%, with the highest margin on the 32 GB/3G version, with an estimated parts and manufacturing cost of $287.15 and a price tag of $729. Apple can become a responsible corporate citizen by compromising margins for the sake of worker safety and welfare.

(Based on NYTimes iPhone and Barron's Tech Trader Daily iPad data.)