



ETHICS

HONESTY

INTEGRITY

The Edge of Ethics

Bounded Ethicality: Exploring the Limits of Ethical Behavior

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RESPECT





# Bounded Ethicality

Bounded ethicality explains how even the most ethical people can behave unethically. Ethical blind spots result from

- Believing you are ethical and therefore assuming your behavior will be ethical
- Unconscious biases
- Conflicts of interest



Bounded Ethicality



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## Thinking Approaches to Ethical Decision-Making

- The Utilitarian Approach
- The Rights Approach
- The Common Good Approach
- The Virtue Approach



Ethical  
Blindness



# Ethical Fading

When ethical aspects of a decision disappear from view because people focus heavily on some other aspect of a decision, such as profitability or winning.



Bounded  
Ethicality

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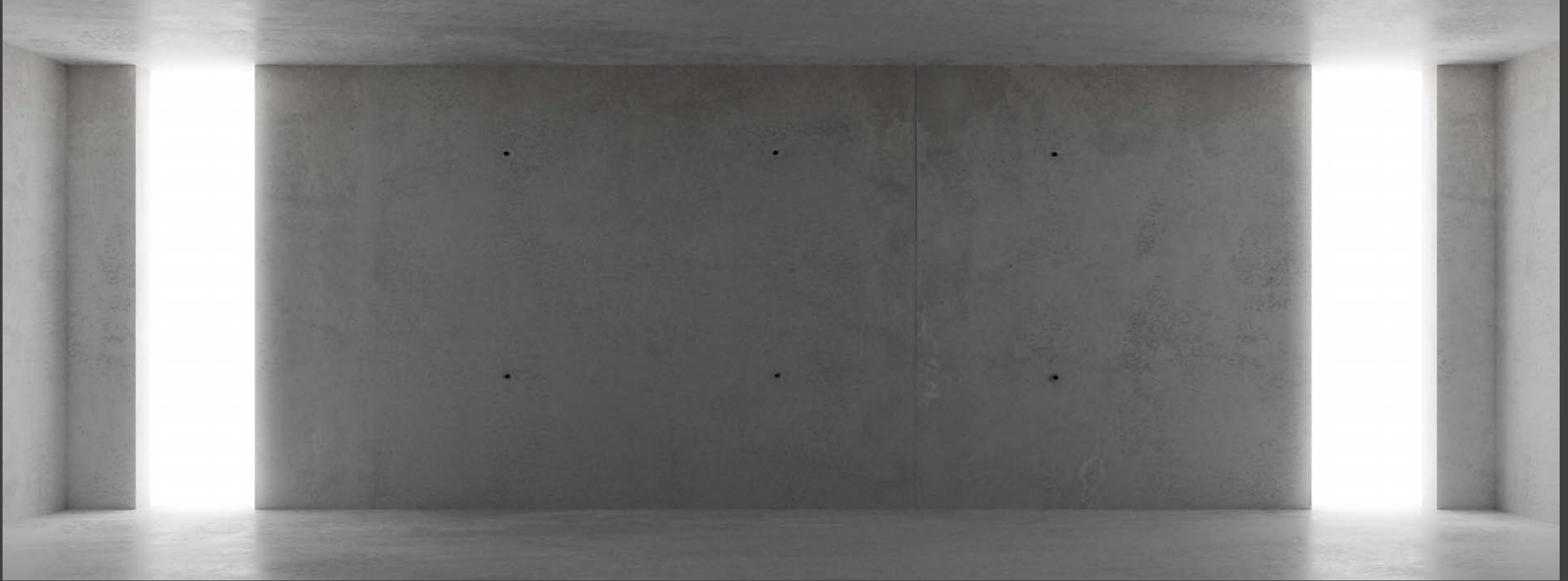
In-group favoritism

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Self-serving bias

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Discounting future  
consequences



## Indirect Blindness

The tendency not to notice unethical behaviors of others when it's in our best interest to ignore them



# Motivated Blindness

The tendency to ignore the unethical nature of a decision when it is in your best interest to ignore it





# Motivated blindness - stock purchase example

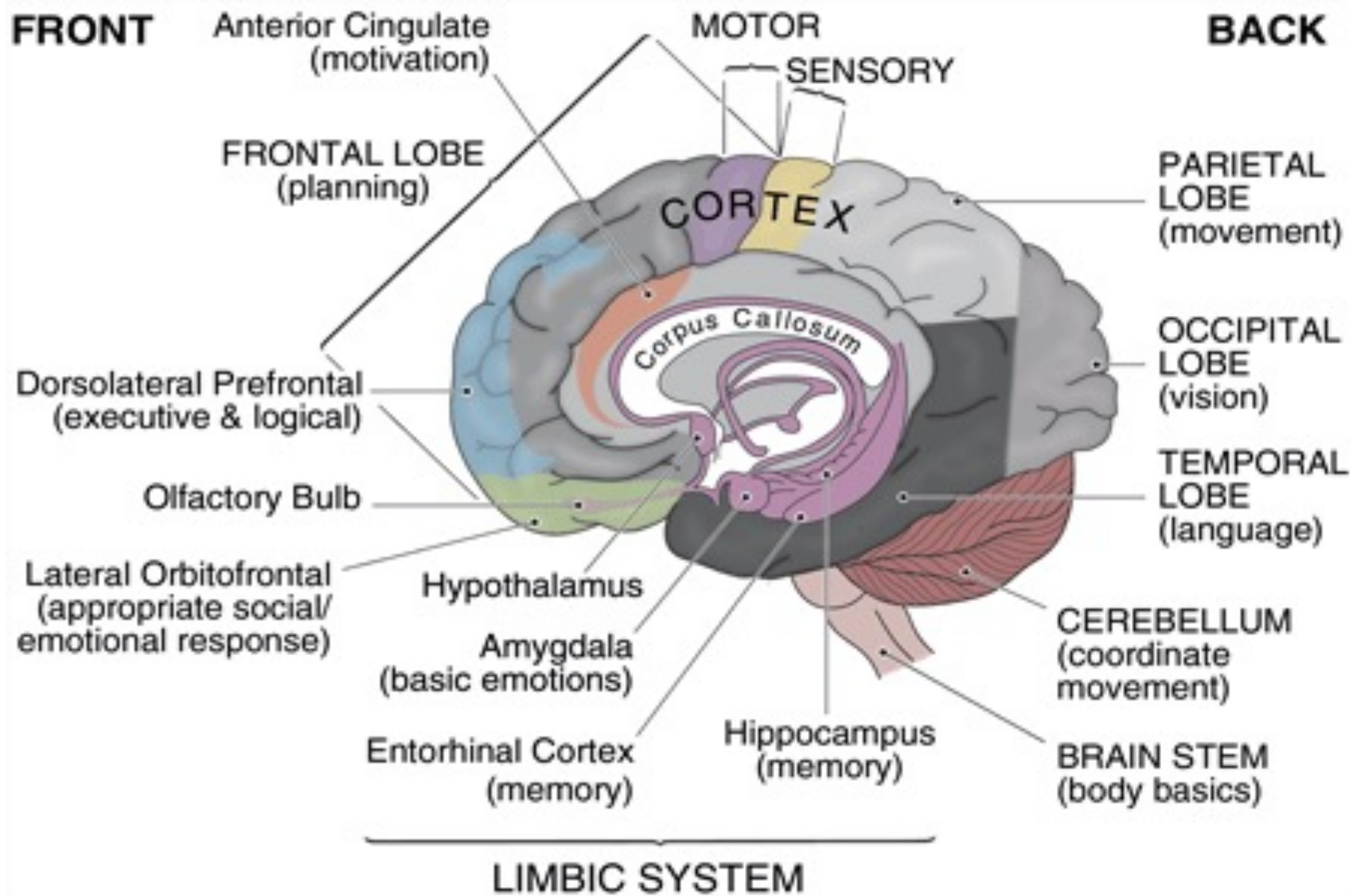






# Moral Sensitivity

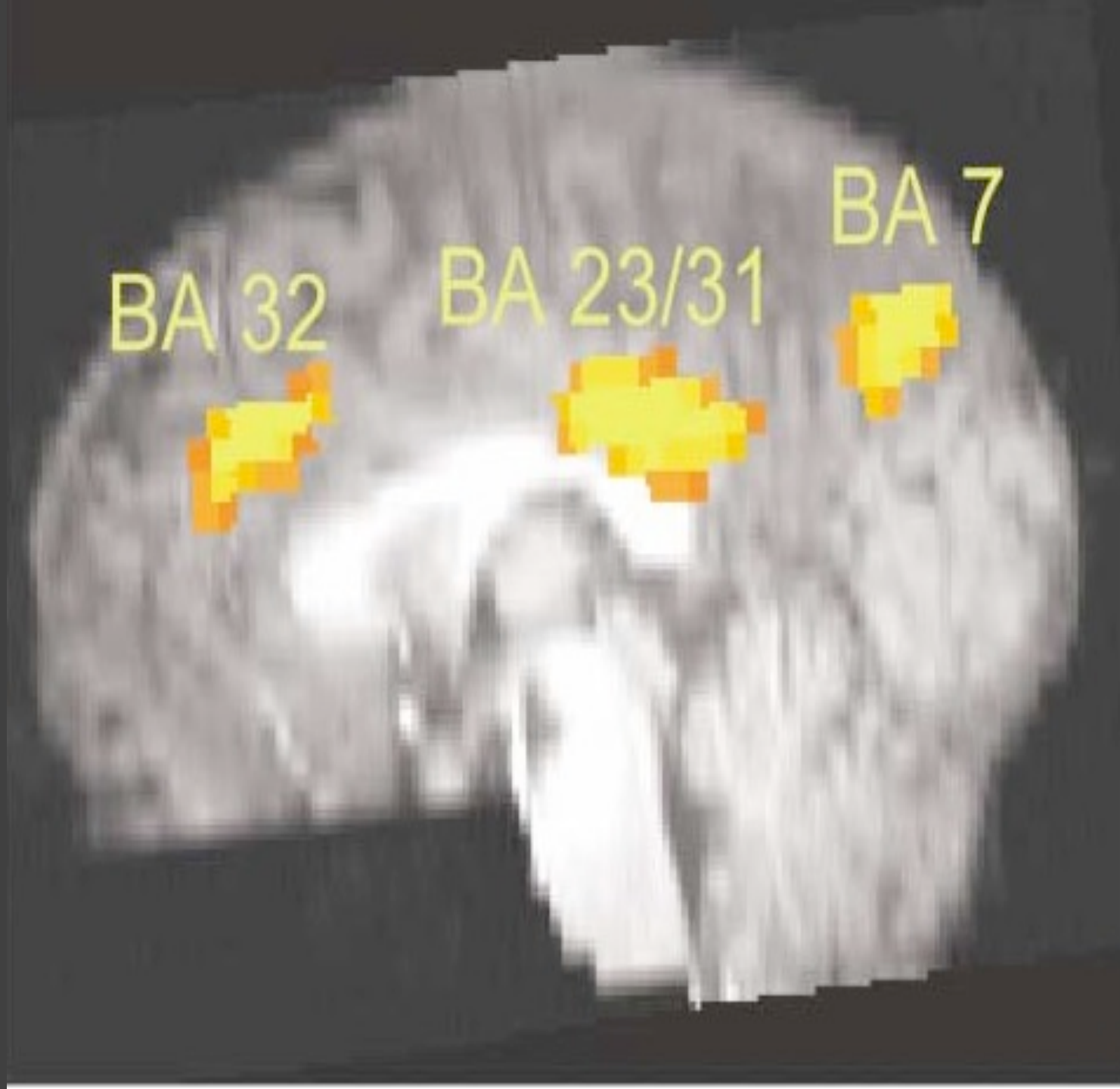








R



Implicit Learning –  
Learning in an  
incidental manner,  
without awareness.

Explicit Learning – A  
conscious and  
deliberate attempt to  
master material or  
solve a problem



Hippocampus – Involved in learning and memory. Linked with associations that provide shortcuts that subconscious uses for decision-making

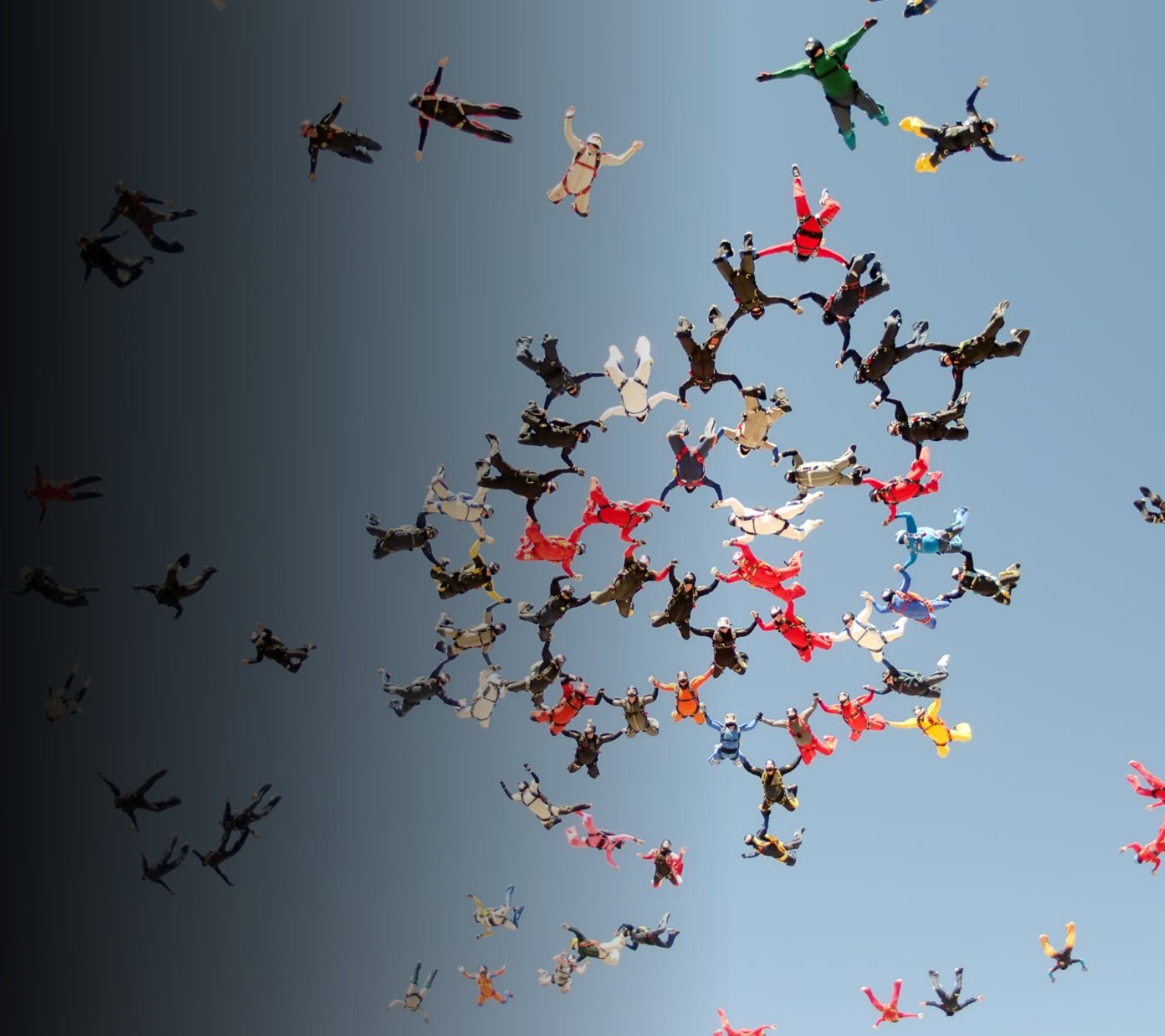
# The Emotional Immune System

- An emotional immune system
- Recognition (self/non-self and threat/non-threat)
- Builds memory of what is safe versus threat
- Build antibodies against recognized threats
- Can also help with threats that appear to be similar



Seeking  
Circuitry versus  
Avoidance  
Circuitry

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# Attribution Error

We tend to see our own choices as a product of the situation, but we see other people's choices as being a product of their character.

We also tend to believe there is intention in outcomes when frequently there is not.





Easy Choices?





Responsibility





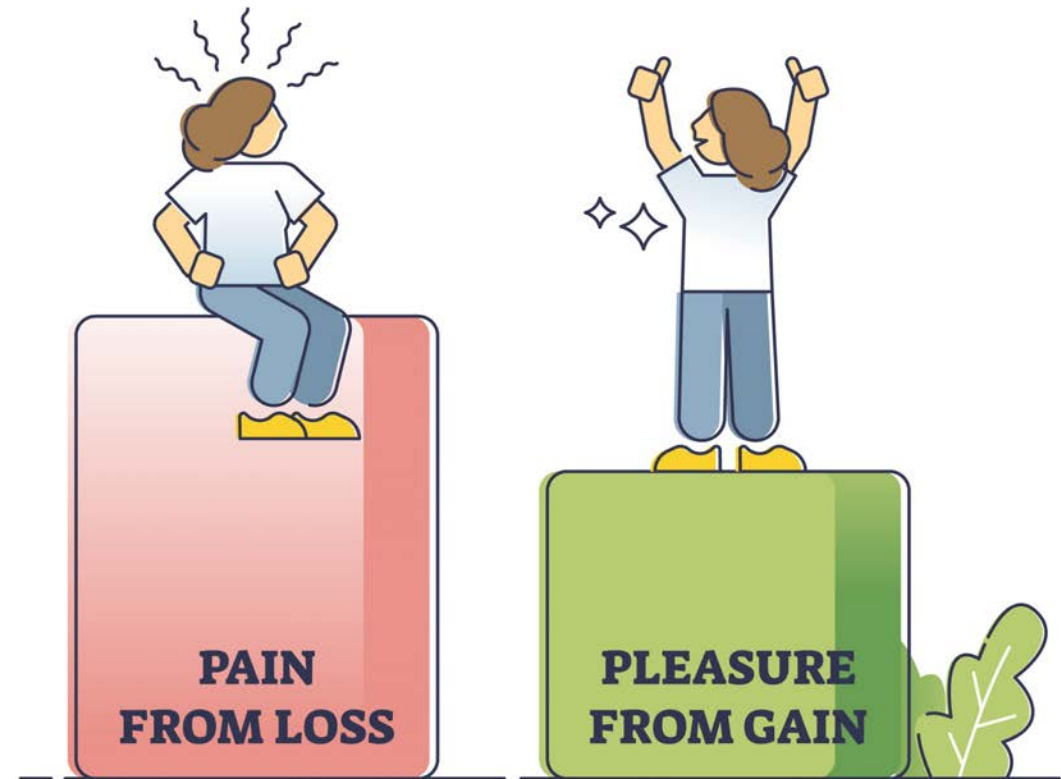
Framing



# Gain Versus Loss Framing

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## LOSS AVERSION





Framing







# Framing Problems



Time  
Framing





# Temporal Bias

- We mis-predict our future behaviors
  - Believe we will act for ethically than we actually do
- Misremember (distort) past behavior
  - Recollection that we acted more ethically than we actually did



# Unintended Consequences



- 1950's the World Health Organization, in order to deal with malaria in Borneo caused by mosquitos, sprayed DDT all over the island
- Afterwards the people of Borneo started having their roofs fall in
- Then the plague spread throughout the island





Why don't we recognize our own unethical behavior?



Why don't  
we act the  
way we  
predict we  
will?



[Redacted]

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted]  
Subject: FW: S [Redacted] - wh [Redacted]

[Redacted] - we do have [Redacted] from happening  
[Redacted], please get in contact with [Redacted] and let him know that we need [Redacted] [Redacted]ld, get  
in c [Redacted] team [Redacted] tell them [Redacted]

[Redacted] - I don't see why this [Redacted], but if you th [Redacted] age it get me [Redacted] he  
f [Redacted] we'll need [Redacted]

Other than that [Redacted] end - I have [Redacted]

-----Original Message-----

From: [Redacted]  
Sent: [Redacted]  
To: [Redacted]  
Subject: [Redacted] lit

Dear [Redacted]

Please find attached the details of the [Redacted] following [Redacted]  
[Redacted]

M [Redacted] words and [Redacted] will mostly be [Redacted] have been ignored and we will be filing a [Redacted] n  
t [Redacted] also with [Redacted] there is very little [Redacted] but this is just  
v [Redacted]

Revisionary  
Ethics



# Investment Decisions and Ethics





# The Words We Use





DO  
WHAT IS  
RIGHT,  
NOT  
WHAT IS  
EASY

Remind yourself of your moral compass





## Role Bias



# Pressure and Ethical Decisions



# Resource Allocation

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Who is more  
deserving?



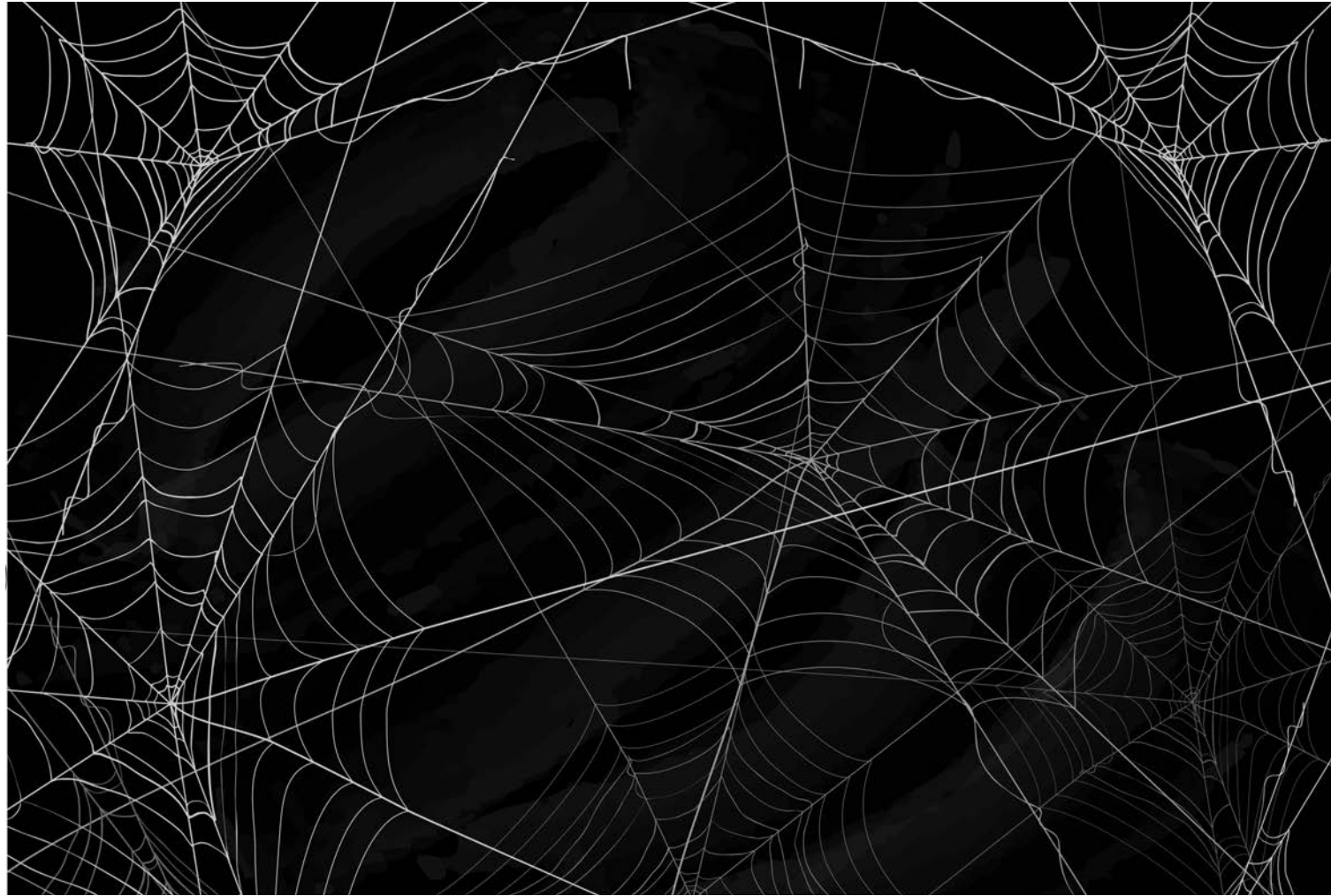
In Favor of The Self







Objectivity Bias

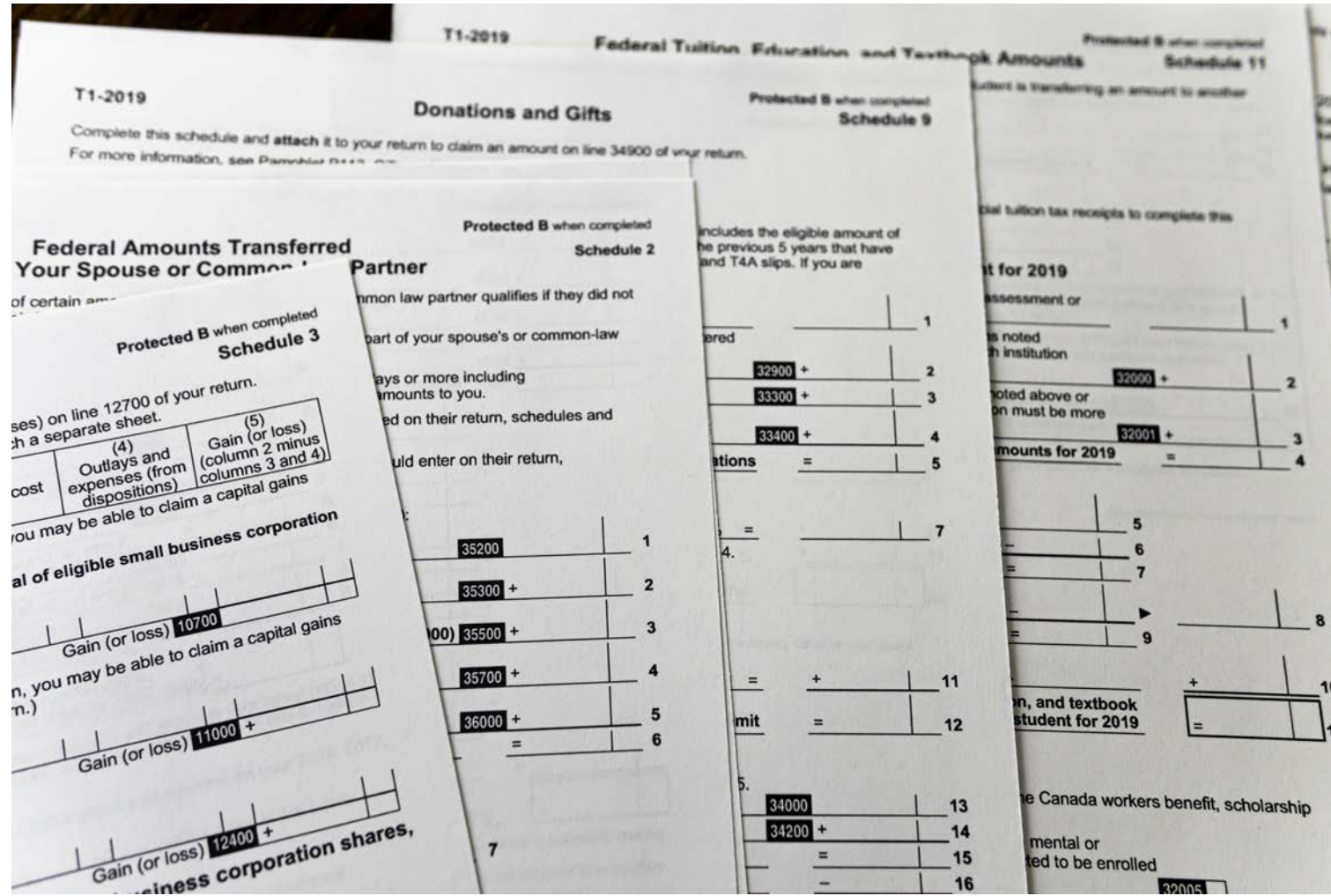


The Tangled  
Web of  
Deceit



The Harm in Stereotypes





Pressure and Ethical Fading

# The “Almost” Bias





“Ordinary”  
Prejudice



Discrimination

The image features a dark gray rectangular background. At the bottom, there is a white, irregular, torn-paper-like border that curves upwards from left to right. The word "Discrimination" is written in a white, sans-serif font, centered horizontally within the dark gray area.

# Cultural Unconscious Bias?

- Norms-Unspoken rules of conduct
  - Informal rules (culture) more powerful than formal rules
  - A sense of what it means to be a good group member
  - Figuring out the rules takes time and causes anxiety



# Diversity and ROI

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Do you believe  
diversity pays  
off?

Should it  
matter?





EQUALITY

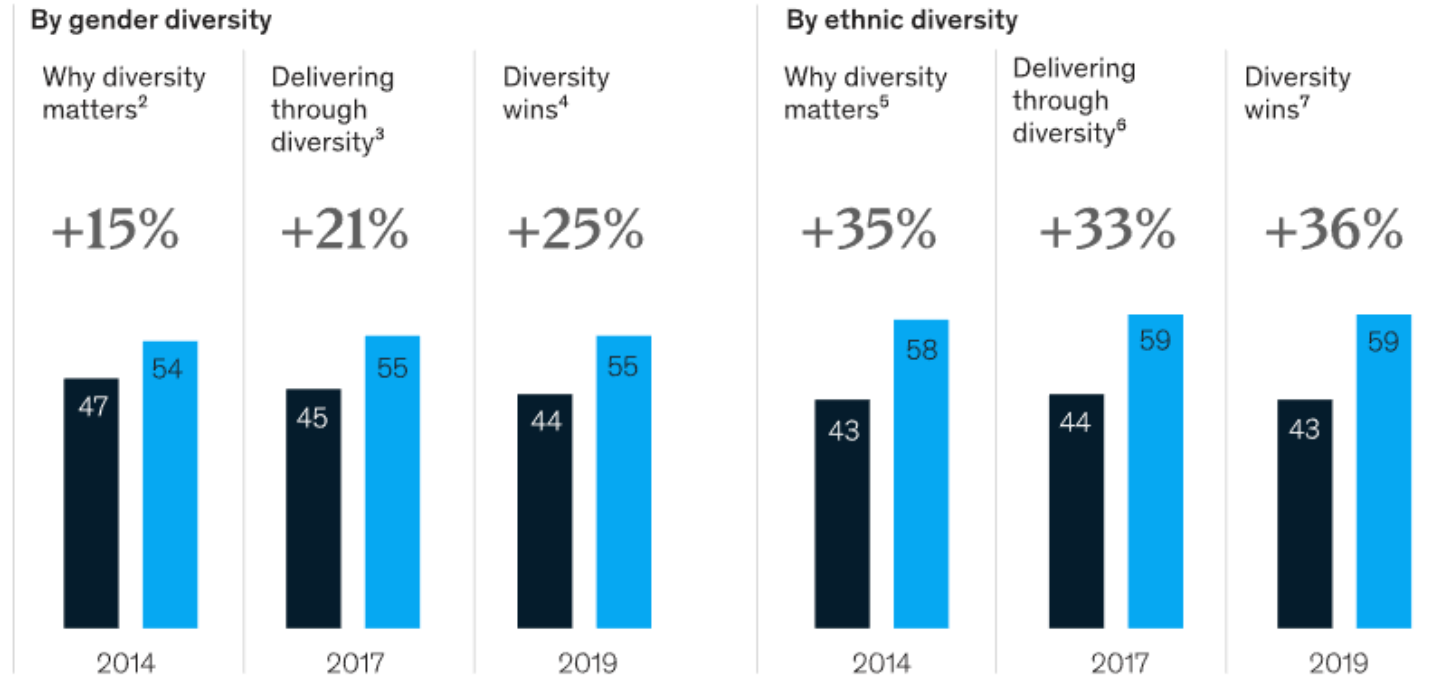


EQUITY

## The business case for diversity in executive teams remains strong.

Likelihood of financial outperformance,<sup>1</sup> %

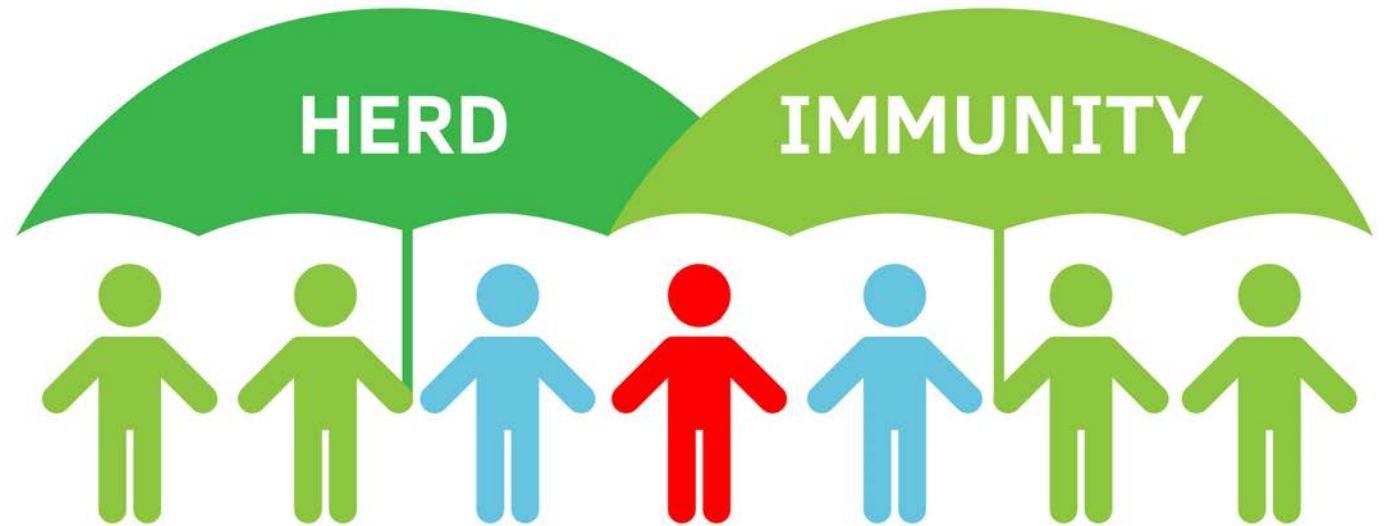
■ Bottom quartile ■ Top quartile



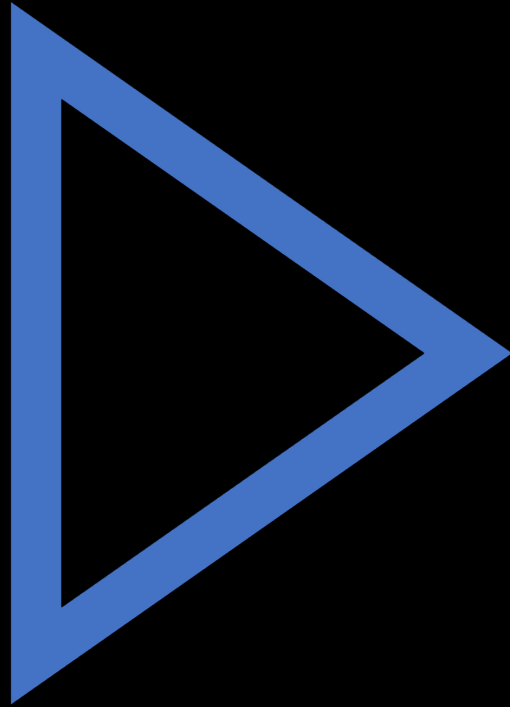
<sup>1</sup>Likelihood of financial outperformance vs the national industry median; p-value <0.05, except 2014 data where p-value <0.1. <sup>2</sup>n = 383; Latin America, UK, and US; earnings before interest and taxes (EBIT) margin 2010–13. <sup>3</sup>n = 991; Australia, Brazil, France, Germany, India, Japan, Mexico, Nigeria, Singapore, South Africa, UK, and US; EBIT margin 2011–15. <sup>4</sup>n = 1,039; 2017 companies for which gender data available in 2019, plus Denmark, Norway, and Sweden; EBIT margin 2014–18. <sup>5</sup>n = 364; Latin America, UK, and US; EBIT margin 2010–13. <sup>6</sup>n = 589; Brazil, Mexico, Singapore, South Africa, UK, and US; EBIT margin 2011–15. <sup>7</sup>n = 533; Brazil, Mexico, Nigeria, Singapore, South Africa, UK, and US, where ethnicity data available in 2019; EBIT margin 2014–18.

Source: Diversity Wins data set

# Social Immune Systems







- Unconscious Overclaiming

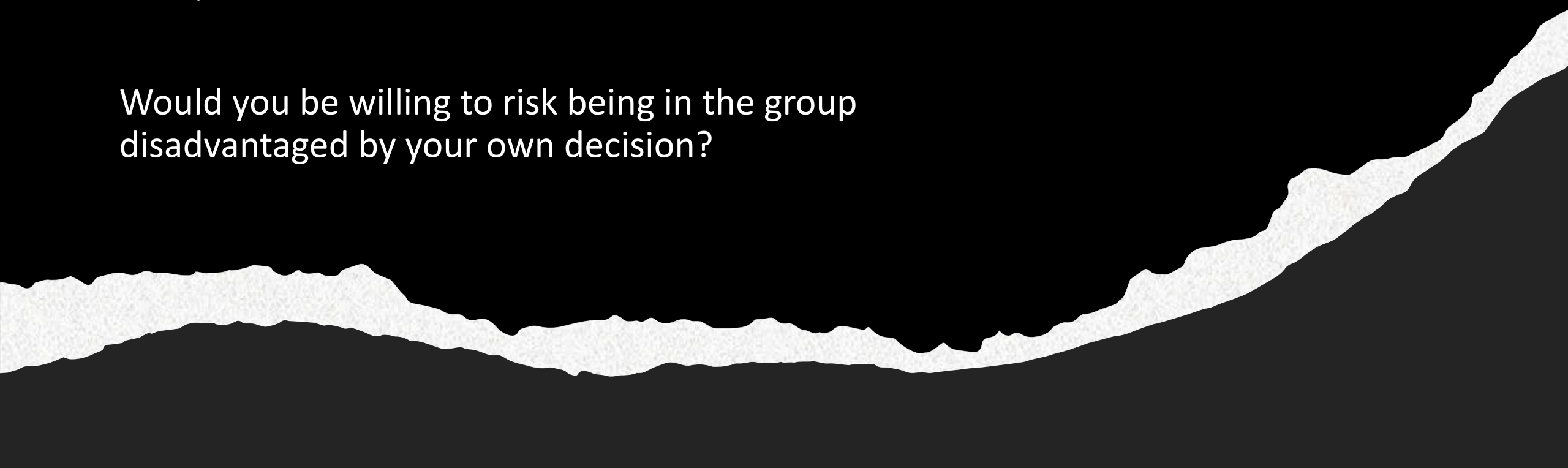


# Ethical Blindness

- Mere exposure to money can trigger ethical fading
- Most people want to do the right thing
- If you believe you have the right answer, even if it has negative financial consequences – do what's right and focus on ways to mitigate the financial consequences

# Ask Yourself a Question

Would you be willing to risk being in the group  
disadvantaged by your own decision?







# Pre-Commitment Devices



## What Can We Do?

- Triangulate
- Assess reasonableness
- Attend to artful dodges
- Leave more time to decide

# Rules-Based Processes and Empathy

## Algorithms are rules based

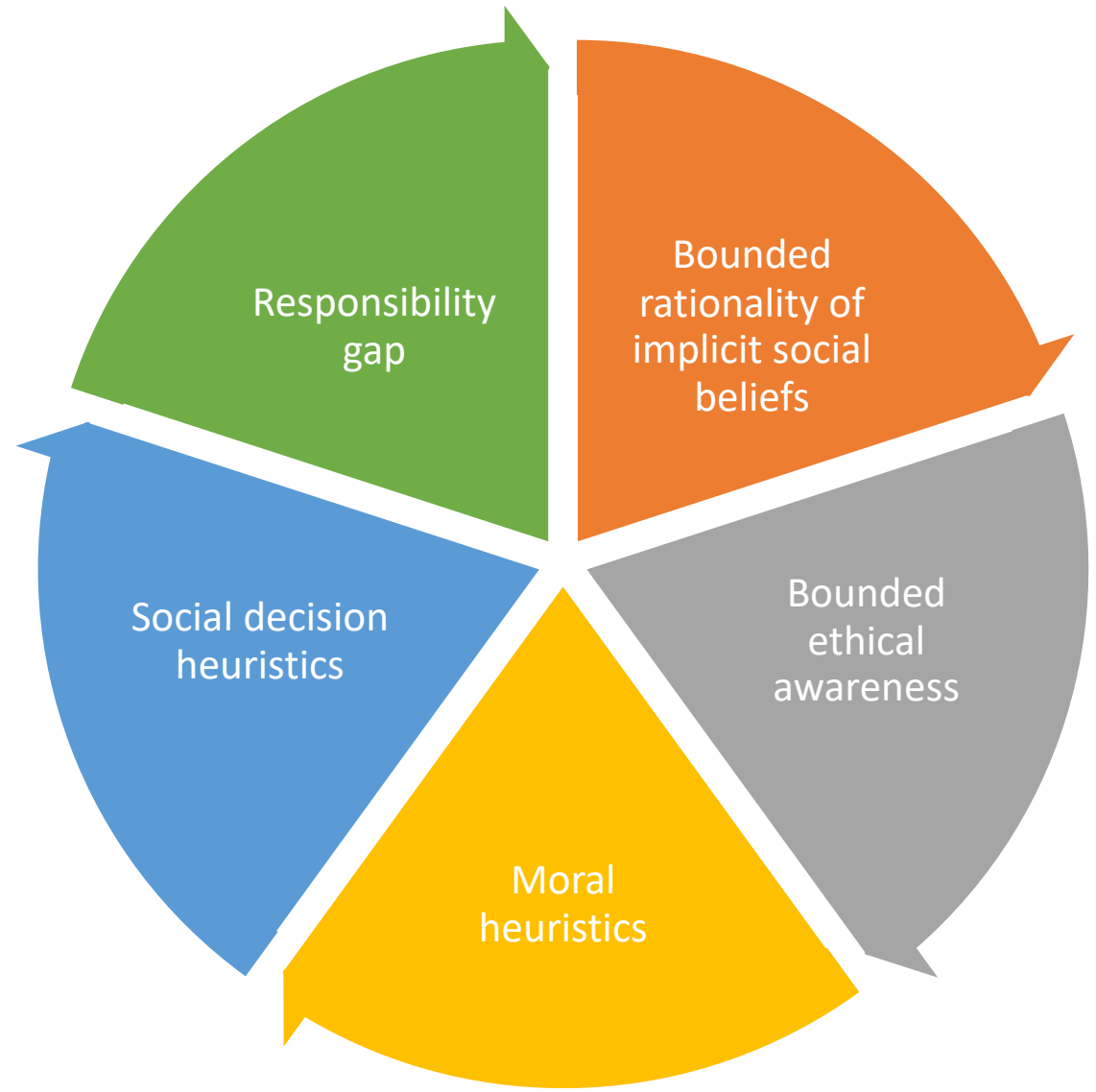
- Tendency to focus on the letter of the rule rather than the spirit
- Rules are emotionally distancing
- We become self-focused which lessens empathy- a key factor in ethics

## Machine learning, robotic processing and AI

- Lead to feelings of lack of control and autonomy leading to complacency and disengagement
- Psychological distancing
- Diffusion of responsibility



# Bounded Ethicality



## Reexamining some famous cases

- The Madoff Ponzi Scheme
- The Challenger Disaster
- Sears and The Broken Reward System
- The Ford Pinto Story
- News International and Phone Hacking



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