

# Ethical Decision Quality (EDQ):

## Building an Ethical Decision Culture

# Ali Abbas

(University of Southern California)

[aliabbas@usc.edu](mailto:aliabbas@usc.edu)

[www.ethicaldecisionquality.com](http://www.ethicaldecisionquality.com)

Copyright (C) Ali Abbas 2023

1

## Objectives

1. How do you assess the ethical quality of a decision?
2. What are the common impediments to ethical decision quality in an organization?
3. Is there an opportunity for decision analysts to better address organizational ethical decisions?
4. How do you build an organization's ethical decision culture?

2

## Reflection

*What does an unethical act mean?*

3

## Ethical Awareness

Merriam-Webster dictionary defines “unethical act” as

*“not conforming to a high moral standard”*

*yet there is no global definition or agreement on what comprises  
a high moral standard.*

4

## Ethical Awareness: Deception, Harming, Stealing

- *At least one of these three factors was at play in all ethical failures analyzed.*
- *Deception, Harming, Stealing (Howard & Korver), (Howard & Abbas)*
- *Can we agree that when an organization encounters a decision with any of these elements, it is flagged as a decision that requires an Ethical Decision Quality (EDQ) assessment?*

*Note: If decisions with deception, harming, or stealing would have been identified and re-assessed, many ethical collapses could have been avoided.*

5

## Where Do We Stand On Ethical Decision-Making Today?

1. Can you follow the rules of normative decision-making (Decision Analysis) and still make an unethical decision?
2. Can you comply with the legal system and make an unethical decision?
3. Can you comply with corporate policies and make an unethical decision?
4. Can an organization that has “Integrity” in its core values make an unethical decision?

6

# Enron Corporation

Jeffrey Skilling:

*“Arthur Andersen and our lawyers took a very close look at this structure and they deemed it appropriate”*

Hypothetical Future Value Accounting  
Blackouts to increase demand at peaks

*The legal team and the accounting firm gave it a thumbs up.  
Rationalization Today: Blame it on the legal team.*

7

# Valeant Pharmaceuticals

*“I think we didn’t find anything they were doing that was illegal and that’s the thing that’s startling about this.”*

Congresswoman McCaskill

*They maximized value legally  
The Orphan Drug Act Limited Competition*

*Bethany McLean, a well-known journalist, noted the divergence for Valeant between what is good for investors and what is good for society*

Syprine, which treats a rare condition known as Wilson disease, [gained notoriety after Valeant Pharmaceuticals International raised the price of the drug](https://www.nytimes.com/2018/02/23/health/valeant-drug-price-) to \$21,267 from \$652.

<https://www.nytimes.com/2018/02/23/health/valeant-drug-price->

8

## Ethics vs. Compliance in Organizations

*“Mr. Weinstein enforced a code of silence; employees of the Weinstein Company have contracts saying they will not criticize it or its leaders in a way that could harm its “business reputation” or “any employee’s personal reputation,”*

*Compliance Policies within the Weinstein Company Enabled Legal and Ethical Violations.*

- <https://www.nytimes.com/2017/10/05/us/harvey-weinstein-harassment-allegations.html>

9

## Can an organization that has “Integrity” in its core values make an unethical decision?

**65% of Corporations Have “Integrity” In Their Core Values**

*MIT Sloan Review July, 2020*

Note: Enron, FTX, Theranos, Wells Fargo all had “Integrity” in their core values before the ethical collapse.

### **When It Comes to Culture, Does Your Company Walk the Talk?**

Company practices often conflict with corporate values. Closing the gap starts with communication.

[Donald Sull, Stefano Turconi, and Charles Sull](#) July 21, 2020

10

## Enron Corporation

*“Enron is a company... that deals with everyone with absolute **integrity**. We want people to leave the transaction with Enron thinking that they've been dealt with in the highest possible way as far as **integrity** and **truthfulness**”*

Kenneth Lay

**“We are the Champions of Morality”**

11

## What About Ethics Courses? And Their Role in Ethical Decision-Making?

The *New York Times* and the *Wall Street Journal* published articles questioning **whether ethics courses are useless** and whether business schools can really teach students to be virtuous.

**The Wall Street Journal : Right and Wrong  
Can business schools teach students to be virtuous?**

**The New York Times Opinion  
Ethics Courses: Useless**

<https://www.wsj.com/articles/SB106365505376228100>

<https://www.nytimes.com/1989/11/25/opinion/ethics-courses-useless.html>

12

## Are Ethics Courses Useless?

The *New York Times* and the *Wall Street Journal* published articles questioning *whether ethics courses are useless* and whether business schools can really teach students to be virtuous.

The Wall Street Journal : Right and Wrong  
*Can business schools teach students to be virtuous?*

The New York Times Opinion  
*Ethics Courses: Useless*

*No they are not!*

*Ethics Courses provide awareness, a history of evolution, and fundamental distinctions for judgment (Kantian, Utilitarian, Rights, ..etc).*

<https://www.wsj.com/articles/SB106365505376228100>

<https://www.nytimes.com/1989/11/25/opinion/ethics-courses-useless.html>

13

## Reflection:

*If an organization offers ethics training, will it necessarily make ethical decisions?*

*No!*

*There are many other factors that impact ethical decision-making e.g. mindsets/ organizational structures/decision traps, cognitive biases, inconsistencies, policies/ motives/ stress/ well-being and many other elements that impede ethical decision-making.*

Research studies have shown the importance of relying on an ethical decision-making model even among practitioners. <https://digitalcommons.usu.edu/etd/7818/>

14

## Dr. Benjamin Franklin Noted

*“I doubt whether any other convention we can obtain may be able to make a better Constitution...*

*for when you assemble a number of men to have the advantage of their joint wisdom, you inevitably assemble with those men all their prejudices, their passions, their errors of opinion, their local interests, and their selfish views.*

*From such an assembly can a perfect production be expected?”*

### Effects of Motives, Prejudices, Local Interests, Selfish Views, and Errors of Opinion on Decision Making

15

## *Is there an opportunity for decision analysts?*

*There are many aspects of Decision Analysis (that many ethics courses do not teach) and that can help with ethical decision-making.*

*Decision Traps , Creating Better Alternatives, Reasoning with Uncertainty, Understanding Values, Assessing Trade-offs, Updating Belief, Patterns of Descriptive Behavior, Cognitive Biases, Rationality, Consistency, ..etc.*

16



*Can you follow the rules of Decision Analysis and still make an unethical decision?*

*Yes!*

*The Tools of Decision Analysis are amoral!*

*There is a need to modify the teaching and practice of Decision Analysis to better address organizational ethical decisions and to understand the common ethical pitfalls that may occur with every step of the analysis.*

17

Question 1:

How do you assess the ethical quality of a decision?

18

## Research Methodology

- *A scan of media articles identified common elements that impact ethical decision-making (the elements of Ethical Decision Quality), as well as common ethical pitfalls within each element.*
- *The findings were used to*
  - *Assess the ethical implications of every step of the analysis when making a decision.*
  - *Derive an Ethical Decision Quality (EDQ) audit.*
  - *Highlight through examples (in Decision Analysis teaching and practice) numerous real-life decisions exhibiting common ethical pitfalls.*
  - *Understand organizational impediments to EDQ.*

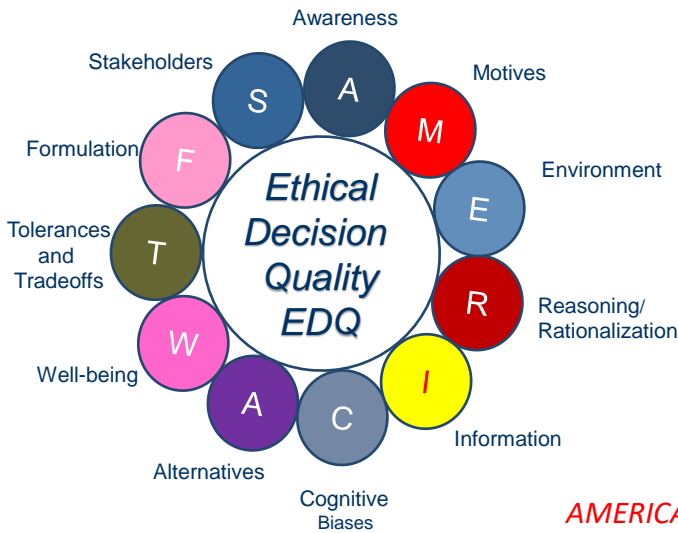
*Chapters 8 through 18 highlight ethical implications of the elements of Ethical Decision Quality Audit.*

19

## The Elements of Ethical Decision Quality

20

# The Elements of Ethical Decision Quality

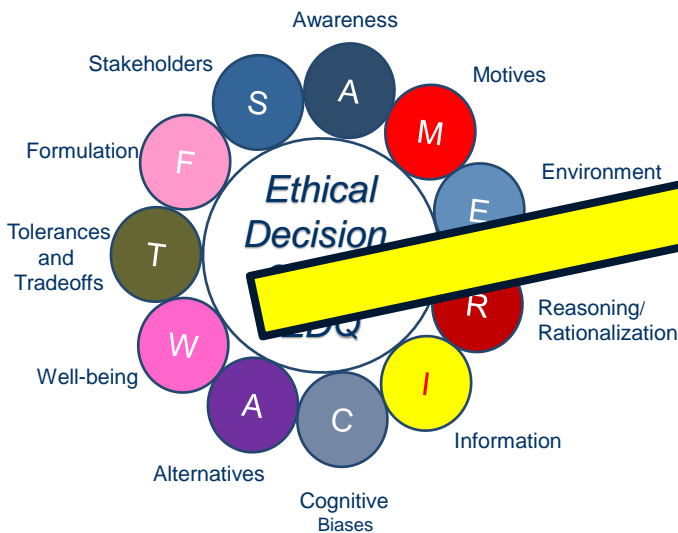


- A - awareness
- M - motives
- E - environment
- R - reasoning/ Rationalization
- I - information
- C - cognitive Biases
- A - alternatives
- W - well-being
- T - trade-offs and tolerances
- F - formulation
- S - stakeholders

AMERICA Working Together For Success

21

# Examples of How the Elements of Ethical Decision Quality were Conceived



22

## Well-being

- Well-being sub-categories were identified in the data search:

*(Survival/ Security/ Safety/ Stress/ Fatigue/ Fear/ Despair/ Depression/ Addiction/ Anxiety/ Mental Health/Compromised/Coerced)*

### *Example: Addiction*

- *“Southern California nun, 80 years old, struggled to maintain her promise to the Catholic Church because of a gambling **addiction** that was out of control for a decade.*

*The Los Angeles native embezzled more than \$835,000 from the Catholic school in Torrance, Calif., where she was principal to pay for 10 years of personal expenses, including her many gambling trips to Las Vegas and Lake Tahoe”*

<https://www.washingtonpost.com/religion/2022/02/08/california-nun-gambling-school-prison-kreuper/>

23

## Element: Well-being

### Examples of How Sub-Categories were Defined

- Well-being Sub-Categories
- *(Survival/ Security/ Safety/ Stress/ Fatigue/ Fear/ Despair/ Depression/ Addiction/ Anxiety/ Mental Health/Compromised/Coerced)*

### *Example: Stress*

- *“793 Italian researchers participated in the research-all of whom were working on fixed-term contracts-after being individually requested to complete an online questionnaire. The data indicate that **unethical behaviors** occur with alarming frequency. The **stress** level reported is quite high, as is the level of perceived job insecurity, both of which impact upon levels of job satisfaction*
- *In another study , **stressed individuals developed low-level construal and high materialism values, both of which further increase their tolerance to unethical acts.***

<https://eprints.whiterose.ac.uk/132534/5/PID.R1-Manuscript-stress%20and%20consumer%20ethics.pdf>

24

## Element: Well-being Examples of How Sub-Categories Were Defined

### Well-being Sub-Categories

*(Survival/ Security/ Safety/ Stress/ Fatigue/ Fear/ Despair/ Depression/ Addiction/ Anxiety/ Mental Health/Compromised/Coerced)*

#### *Example: Mental Health*

*KQED LA reported, The Alameda County Sheriff's Office in Northern California has stripped 47 deputies of their guns and arrest powers because they failed psychological exams.*

*Unfortunately, this audit only occurred after Deputy Devin Williams Jr. was arrested and charged with fatally shooting a couple in their Dublin home. "Williams' mother, Anitra Williams, told KTVU-TV that her son had been in a romantic relationship with the woman, Maria Tran, and had believed she was unmarried." KTVU-TV said four sources claimed Williams had failed his psychological exam.*

25

## Element: Well-being Examples of How Sub-Categories Were Defined

### • Well-being Sub-Categories

- *(Survival/ Security/ Safety/ Stress/ Fatigue/ Fear/ Despair/ Depression/ Addiction/ Anxiety/ Mental Health/Compromised/Coerced)*

#### *Depression/Anxiety*

- *28 percent of lawyers suffered from depression.*
- *19 percent of lawyers had severe anxiety.*
- *At some point in their career, 11.4 percent of lawyers felt that suicide might be a solution to their issues.*
- *"The Prevalence of Substance Use and Other Mental Health Concerns among American Attorneys"*

26

## Can organizational structures impact well-being and contribute to failures in ethical decision quality?

The following script from *The Dropout* is between Ian Gibbons, Theranos scientist, and Theranos's legal team when he received notice of a deposition:

*Ian: I can't sleep. I can't think. I need to know what to do. I'm going to have to testify at some point. And then when I do, if I violate the nondisclosure agreement, then Theranos will sue me.*

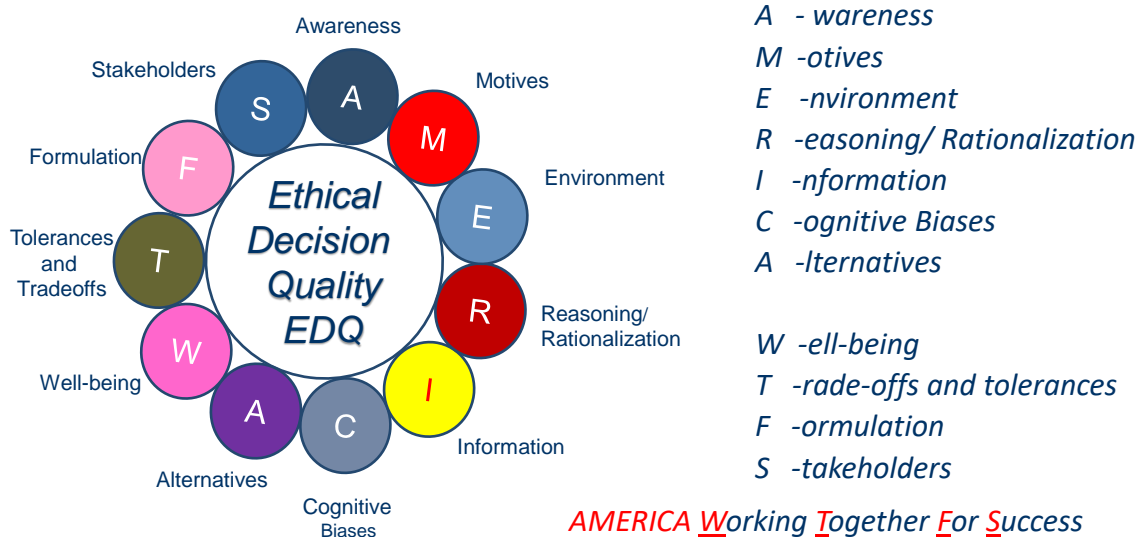
*Legal: That's not necessarily true.*

*Ian: Oh, you will. You'll sue me, and you'll win.*

*Gibbons ultimately committed suicide.*

27

## The Elements of Ethical Decision Quality



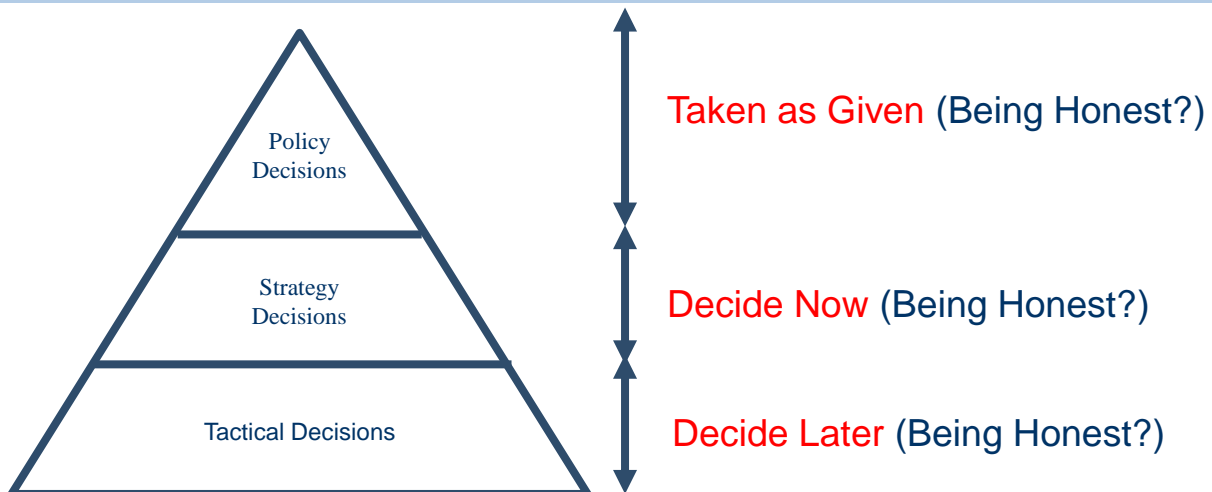
28

## Examples of Embedding Ethical Decision Quality into the Teaching and Practice of Decision Analysis

(Using Real-life Lessons from the Media/Data/Case  
Studies/History)

29

### Example from Media: **The Scope of the Frame** Does it have Ethical Implications?



30

## Volks Wagen's Scope of the Frame

Was "Being Honest" a "Taken as Given" or "Decide Now" ?



#Dieselgate

*"It should first be decided whether we are honest."*

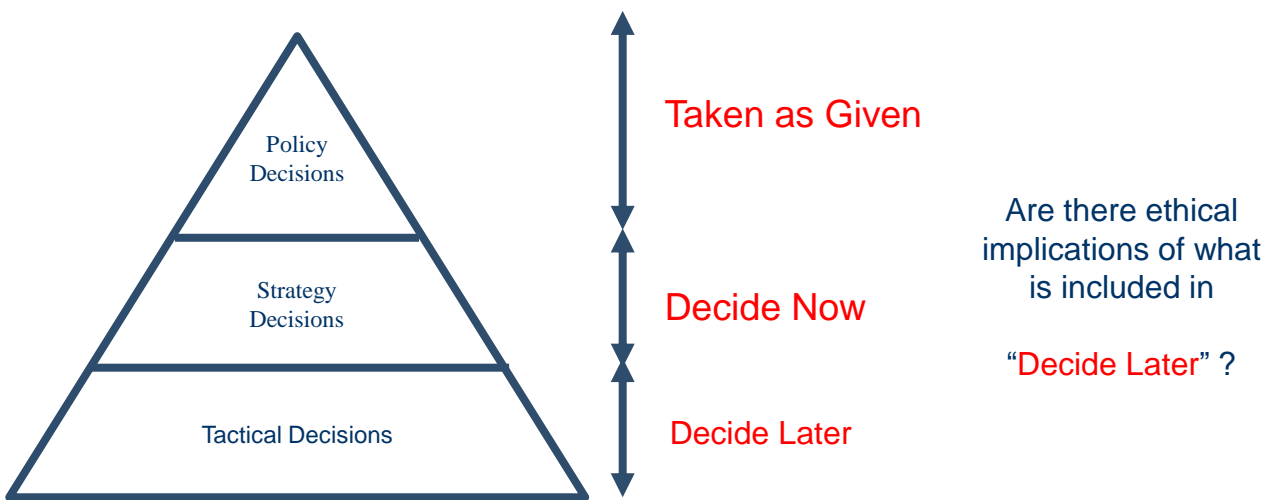
*If we are not honest, everything stays as it is."*

Oliver Schmidt, former VW Executive to the Board.

**Being Honest was Not "Taken as Given"**  
It was in the "Decide Now" category once DOJ investigations started.

31

## The Scope of the Frame



32



## The Scope of The Declaration of Independence

A draft of the Declaration of Independence had a clause about slavery.

*“He has waged cruel war against human nature itself, violating its most sacred rights of life and liberty in the persons of a distant people who never offended him, **captivating and carrying them into slavery in another hemisphere or to incur miserable death in their transportation thither.**”*

33

## The Scope of The Declaration of Independence

A draft of the Declaration of Independence had a clause about slavery.

*“He has waged cruel war against human nature itself, violating its most sacred rights of life and liberty in the persons of a distant people who never offended him, **captivating and carrying them into slavery in another hemisphere or to incur miserable death in their transportation thither.**”*

**The sentiments did not go over well with the Southern delegates: they were profiting from the slave trade.**

**The paragraph was dropped.**

Jefferson and others opposed slavery but the chosen scope did not abolish it.

**“Slavery”** was placed in the **“To Be Decided Later”** category.

It took another 87 years, a Civil War, the Emancipation Proclamation, and the 13th Amendment to finally end slavery.

<https://www.npr.org/2015/07/03/419824340/scrapped-declaration-of-independence-passage-denounced-slavery>

34

## Information: Does it Have Ethical Implications?

*“My colleagues, every statement I make today is backed up by sources, solid sources. These are not assertions. What we’re giving you are facts and conclusions based on solid intelligence.”*

*General Colin Powell, UN address on Weapons of Mass Destruction in Iraq.*

### Bayes' Rule Can be Applied in Unethical Situations

- Ethical failures in **gathering information** ( Tuskegee Experiments),
- Ethical failures in **handling information** ( Cambridge Analytica 2010, Equifax fined \$575 Million 2017, Instagram: fined \$403 million September 2022, TikTok fined EUR345 million September 2023, ..etc.)
- Ethical failures in **privacy and misinformation by the government?**
- Training on creating distinctions for unintended ethical consequences. Creating distinctions is something decision analysts are well-trained to do.

*More than half of wrongful convictions can be traced to witnesses who lied in court or made false accusations.*

<https://eji.org/issues/wrongful-convictions/>

35

## Ethical Failures Due to Inaction Upon Revelation of New Information

*“For having lived long, I have experienced many instances of **being obliged by better information, or fuller consideration, to change opinions even on important subjects, which I once thought right, but found to be otherwise.***

*Benjamin Franklin*

*Real Life Examples of  
Willful Blindness? Sunk Cost?  
Confirmation Bias? Cognitive consistency?  
Escalation of Commitment?*

36

## Ethical Failures due to Motives: Apparent and Hidden

*“Everyone here is running a game.  
Everyone here is hustling.  
Everyone here wants something.  
Money, power, image, love.”*

*From Inventing Anna, Netflix Series  
Neff (Anna’s friend at the hotel-concierge)*



37

## Ethical Failures Related to Stakeholders: Common Patterns: Stakeholders vs. Shareholders

*All I care about is our  
shareholders.  
Mike Pearson, Valeant*

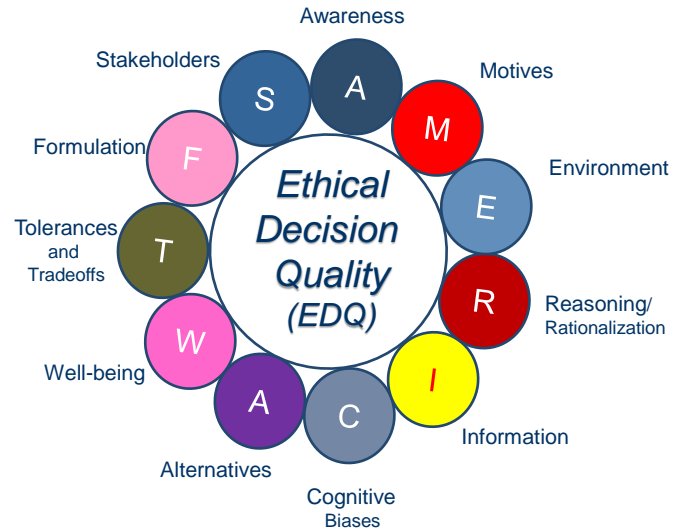
*Training on Identifying the Extent of  
Stakeholders Affected by the Decision.*

Syprine  
\$30 / month  
\$20,000 / month  
\$200 per tablet

38

## The Elements of Ethical Decision Quality Can Be Used As A Checklist

- Used as a checklist when making a decision.
- Can audit the ethical decision culture within an organization.
- Assessment gleaned from media articles.



39

## Ethical Awareness

- **Media Articles Suggested the Need to Clarify Common Misconceptions:**
  - **Is the Legal System the Moral Standard?**
    - Legal vs. Ethical ?
    - Ethics Code for Supreme Court ?
  - **Are Societal Norms the Moral Standard?**
    - Society disagrees on the norms
  - **Is Public Good the Moral Standard?**
    - Eminent domain?
  - **Ethics vs. Compliance?**
    - *“Ethics Officers” in most corporations are actually compliance officers.*

40

## Example of an Awareness Assessment

- Does the decision at hand involve acts of deception?
  - Is there information that would lead to different reactions from stakeholders if revealed?
- Does the decision at hand involve aspects of harming or stealing?
  - Does the decision at hand impinge on the rights of some stakeholders?
- Are individuals involved in the decision aware of legal versus ethical distinctions?
- Are individuals involved in the decision aware of ethics versus compliance?
- Are there company policies that involve (or can lead to) deception, harming, or stealing and are impacting the current decision you are about to make?

41

## Example of an Awareness Assessment

- Awareness:
  - Will employees/leaders in the organization identify an ethical issue that is illegal?
  - Will employees/leaders in the organization identify an ethical issue if it is legal?
  - Will employees/leaders in the organization identify an ethical issue if it does not violate a corporate policy?
- Are employees in the organization sensitive to deception, harming, or stealing for either small or large amounts
  - (e.g., Would employees charge extra on reimbursement reports? Would individuals on an hourly rate take extra hours off [unnoticed] after lunch? Would they leave the office early if they could do it quietly and unnoticed?)?
- Does the organization have an ethics officer?
  - If so, is the ethics officer a compliance or legal officer or an ethics officer How much power do they have in expressing opposing views?

42

# Questions?

43

## Predictable Organizational Mindsets Impeding Ethical Decision Quality

*Organizational mindsets refer to a set of attitudes, beliefs and ideologies held by more than one individual at the leadership level of an organization.*

*They affect the organizational policies and decisions.*

*These mindsets are inherent within an organization in the sense that they persist even with a change of leadership.*

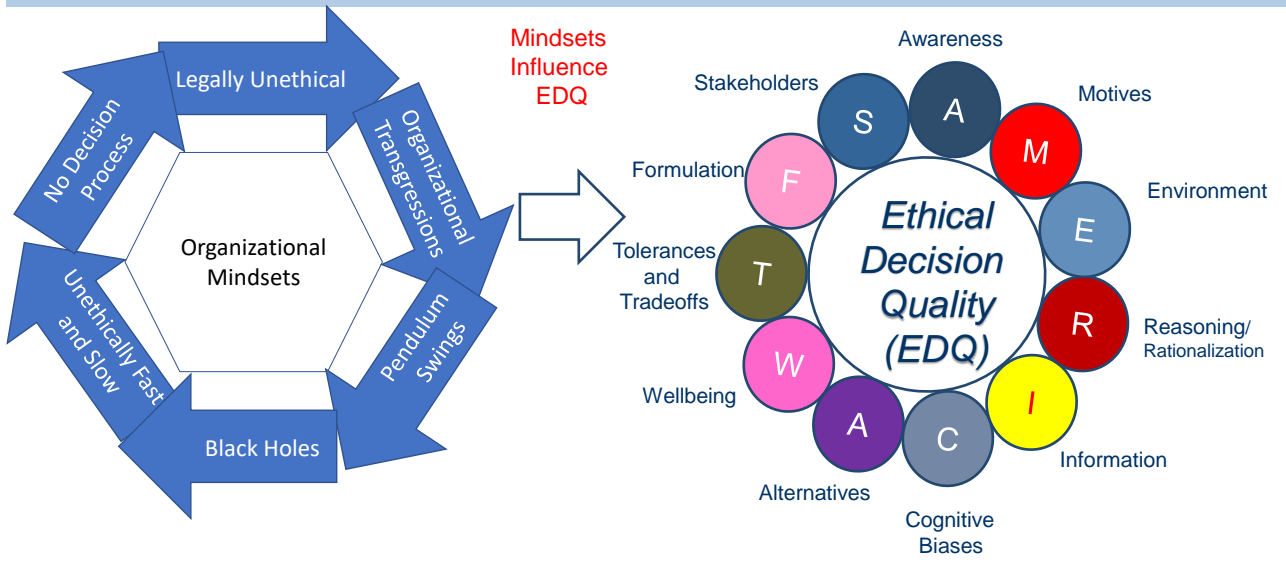
44

# Mindsets Impeding Ethical Decision Quality

*The following six mindsets were gleaned by scanning thousands of media articles.*

45

# Organizational Mindsets Impacting Ethical Decision Quality



46

## Mindset # 1: The Legally-Unethical Mindset

*If it is legal, then it is ok!*

47

## Mindset # 1: The Legally-Unethical Mindset

*If it is legal, then it is ok!*

- Congresswoman McCaskill ( Valeant) : “ *I think we didn’t find anything they were doing that was illegal and that’s the thing that’s startling about this.*”

VW: “*It is impossible for us to know exactly what legal advice VW received (Thank you, attorney-client privilege...), but it is interesting to speculate whether VW’s internal response would have been different if outside legal counsel had simply said “there is no analog for this, it’s uncharted territory” or “we could easily be facing penalties ten times greater (i.e., US\$1 billion plus).*”

The LA Times reported about a change in the legal system in California, “California attorneys must report misconduct by their peers.” Further, the *State Supreme Court now obligates attorneys to notify the State Bar if they have “credible evidence that another lawyer has committed a criminal act or has engaged in conduct involving dishonesty, fraud, deceit”*

48



## Mindset # 2: The Black Hole Mindset

*If we can cover up and nobody finds out, then it is OK!*

*The No-Hiding Theorem in Physics !!*

---

49

## Mindset # 3: Pendulum Swings

*If unethical acts were conducted  
by these particular stakeholders, then it is OK!*

---

50

## Mindset # 4: Organizational Transgressions

*If the transgressions are in the interest of the organization, then it is OK!*

**Jeffrey Skilling:** “I did not do anything that was not in the best interest of the shareholders of the company”

**Mike Pearson (Valeant):** “All I care about is our stakeholders”

Hans Koberstein, editor of *Frontal 21* explains that every manufacturer in Europe was using calibration strategies that emitted up to 400 - 500% higher than during the laboratory test. **Further, any government in Europe is thinking “Should I harm my national car industry if other’s won’t? No, I will not do this. I am not stupid.”**

51

## Mindset # 5: The No-Decision Process Mindset

*There is no need for a decision process. We are all experts, and so it is OK!*

Ronald Howard, Carl Spetzler, Jim Matheson, Tom Keelin, and many others have been advocating the need for a sound decision-making process for years.

Not having a decision process can lead to unethical decisions.

52

## Ethical Failures due to Not Having a Decision Process

### Unintentional

*[W]e are more generous toward a stranger if we have just found a dime;  
[A] judge's decision to grant parole depends on how long it has been since he or she had lunch".*

### Intentional

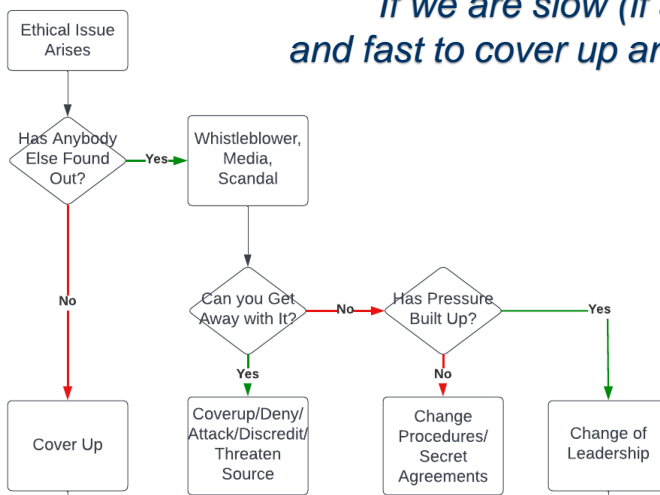
- Outcome predetermined analysis
- Flawed Methods
- Consistency
- Saving face
- Strongest wind direction

<https://www.nytimes.com/2013/11/24/books/review/would-you-kill-the-fat-man-and-the-trolley-problem.html>

53

## Mindset # 6: Unethically Fast and Slow

*If we are slow (if at all) to acknowledge,  
and fast to cover up and deny, then we will be OK.*



54

## ***Example: No-Decision Process Mindset Audit***

How are decisions made in the organization?

Does the organization incorporate a sound decision-making process?

Are decisions made with a top-bottom approach?

Are decisions made by an isolated group?

Is there transparency about the decision process?

Are there many surprise decisions?

How would you rate decision-making at the individual level?

How would you rate decision-making at the leadership level?

Do the expressions “This is politics” or “This is above my pay grade” often appear when justifying why things have to stay as is?

Is the decision-making process impacted by significant clients, donors, or individuals who desire repeat business from the organization?

55

## ***Example: No-Decision Process Mindset Audit***

- Are there organizational policies impacting ethical decision quality?
- Can you identify the most common organizational mindsets (beliefs and preferences held by more than one individual at the leadership level) that impede ethical decision-making?
- If your organization has been through an ethical collapse, identify the primary mindsets and factors that enabled the collapse to occur.

56

## **Reflection/Discussion**

- *Can you identify additional/other mindsets within your organization?*

---

57

## **Building an Ethical Decision Culture**

***Do you want to have an Ethical Decision Culture?***

---

58

## Building an Ethical Decision Culture

### ***Do you want to have an Ethical Decision Culture?***

*It should first be decided whether we are honest.  
If we are not honest, everything stays as it is.”*

— Oliver Schmidt, former VW Executive to the Board.

59

## Building an Ethical Decision Culture

### ***Do you want to have an Ethical Decision Culture?***

*It should first be decided whether we are honest.  
If we are not honest, everything stays as it is.”*

— Oliver Schmidt, former VW Executive to the Board.

***Without action, the best intentions in the world  
are nothing more than that: intentions.***

—Jordan Belfort from the movie  
*The Wolf of Wall Street*

60

## Having “Integrity” in the Core Values is not Sufficient

65% of Corporations have “Integrity” in their Core Values.

Enron, FTX, Theranos, Wells Fargo all had “Integrity” in their core values.

When it came to Ethical Decision-Making,

Having “Integrity” in the Core Values did not help !

61

65% of Corporations Have “Integrity” in their Core Values.

### Ethical Scope?

Are organizations willing to take  
a challenge to include

Ethical Decision Quality

in what is

“Taken as Given”?

62

## Building an Ethical Decision Culture

**Step # 1:** Conduct an Ethical Decision Quality Assessment

**Step # 2:** Identify Organizational Mindsets Impeding EDQ

**Step # 3:** Beef up the Elements of Ethical Decision Quality

- Address issues raised in the EDQ audit,
- Highlight by examples (in the teaching and practice of decision analysis) the common ethical pitfalls that occur in real life decisions.
- Improve the generation of ethical decision alternatives.

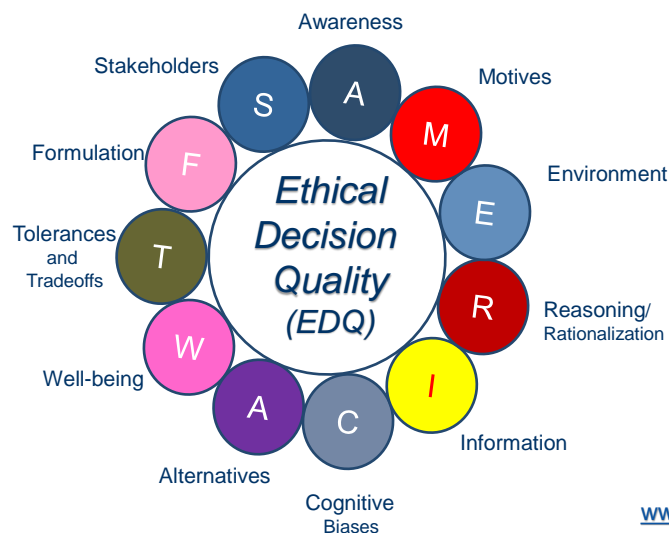
**Step # 4:** Restructure for Ethical-Legal-Prudential Decision-Making

*E.g. Ethics (not compliance) counsel, EDQ for Legal Team, EDQ for Decision Team, Incentive structures, ..... etc*

**Step # 5:** Give yourself an Ethics Nudge!

63

## Thank You !



**Ali Abbas**

[aliabbas@usc.edu](mailto:aliabbas@usc.edu)

[www.ethicaldecisionquality.com](http://www.ethicaldecisionquality.com)

64