



M&I Bank

STEVENS POINT AREA 2005 ECONOMIC INDICATORS

**1st Quarter 2005
presented
May 13, 2005**

Presented by:

Central Wisconsin Economic Research Bureau

Randy F. Cray, Ph.D., Professor of Economics and Director of the CWERB

Scott Wallace, Ph.D., Assistant Professor of Economics and Research

Associate of the CWERB

Nathaniel Throckmorton, Administrative Assistant

Special Report: Business Ethics Today.

Elizabeth M. Martin, Ph.D., Assistant Professor of Business – University of Wisconsin-Stevens Point

TABLE OF CONTENTS

National and Regional Outlook Table 1	1
Central Wisconsin Tables 2-6	4
The Greater Stevens Point Area Tables 7-13	8
Special Report Business Ethics Today	14



Presentations and research activities of the Central Wisconsin Economic Research Bureau in Stevens Point are made possible by a generous grant from M&I Marshall & Ilsley Bank of Stevens Point. We wish to thank them for their continuing support.

CWERB - Division of Business and Economics
University of Wisconsin-Stevens Point
Stevens Point, WI 54481
715/346-3774 715/346-2537
www.uwsp.edu/business/CWERB

National and Regional Outlook

The U.S. Department of Commerce reported that real GDP expanded by 3.1 percent during the first three months of 2005. The aforementioned figure is calculated on an annualized basis. When real GDP is measured from first quarter 2004 to first quarter 2005, the rate of change was a more impressive 3.6 percent. Even though Wall Street investors were disappointed that the rate of growth came in under forecast, the expansion of the national economy was very respectable.

Raw data generated by various sources in the Federal Reserve System and the Wisconsin Department of Revenue suggest that the national and state economies are on firm ground. However, this is not to suggest that there aren't some aspects of the economy that aren't troubling and warrant some concern. We will start with the reasons for optimism about the economy and then turn to areas of concern.

Household spending, which accounts for two thirds of all economic activity, will continue to expand at a brisk pace. Moreover, it is forecasted that consumption will rise by about 3.5 percent in 2005. Another major component of the economy is business investment. Firms have been adding significantly to the nation's capital stock. Further, the additions to factory, plant, equipment, and inventories should grow by about 7 percent this year. While not nearly as strong as last year's 13 percent rate of change, the pace of activity is very respectable. In addition, personal income is forecasted to grow in the 5 to 6 percent range over the course of the year, and employment at a more modest 1.4 percent rate.

However there are areas of concern. Inflation rose sharply in the first three months of this year. Many analysts think that higher energy costs act as a drag on the economy. So far the drag appears to have been minimal, but there remains a great deal of concern about the energy situation. Forecasts from the Federal Reserve suggest that oil prices will remain elevated through the remainder of this year and into 2006. The good news is that even with higher oil prices, the economy will have time to adjust and the overall price level will tend to become more stable. In other words, the impact of higher energy prices will have already been transmitted through the economy and would do little additional harm to the price level of all other goods and services. Thus, economists are suggesting that inflation will come in at about 2.5 percent for 2005, and about 2.0 percent in 2006. However, it should be pointed out that forecasts can be well off the mark when unforeseen events take place. In today's global economy, unforeseen events have a greater potential to upset the best forecasts. For example, how will the economies in China and India perform and hence their demand for oil change? Or will political unrest in other parts of the world cause disruptions in energy production?

Other issues that loom large in the future that could potentially influence the national and state economies are the growing trade deficit and federal budget deficit. Alan Greenspan, the chairman of the Federal Reserve Board, in testimony before the U.S. Congress, warned that the deficits pose a serious threat to the long-term economic

health of the economy. In other words, these deficits are not sustainable and at some undetermined point in the future, economic forces will be set into play that will bring the situation back into equilibrium. This could result in a very painful period of adjustment for the country. It seems that a prudent course of action would be to address these issues as quickly as possible in order to mitigate the potential damaging effects of the adjustment process.

In sum, it appears that the national economy will grow about 3.5 percent during 2005, and Wisconsin will likewise experience respectable growth. Nonfarm payrolls for the state are estimated by the Wisconsin Department of Revenue to grow by 1.8 percent. However, inflation and the twin deficits continue to loom in the background with the potential to harm the long-term prospects for the economy.

TABLE 1

NATIONAL ECONOMIC STATISTICS

	2004 First Quarter	2005 First Quarter	Percent Change
Nominal Gross Domestic Product (Billions)	\$11,472.6	\$12,182.7	+6.2
Real Gross Domestic Product (Billions of 2000 \$)	\$10,697.5	\$11,078.2	+3.6
Industrial Production (1997 = 100)	114.8	118.6	+3.2
Three Month U.S. Treasury Bill Rate	2.23%	2.78%	+24.9
Consumer Price Index (1982-84 = 100)	187.4	193.3	+3.1

Central Wisconsin

The economic indicators for central Wisconsin were as follows: the unemployment rates were generally lower than a year ago; total employment contracted in Marathon and Wood counties; nonfarm employment which is based on an employer survey showed a small increase in area payrolls; retail activity has appeared to cool off in the region; and lastly, a lower degree of optimism concerning economic conditions is now being expressed by business people.

Unemployment rates were lower in all reporting areas. The unemployment rates in Portage, Marathon, and Wood counties were 5.6, 5.0, and 7.1 percent respectively. The labor force weighted unemployment rate for central Wisconsin declined from 6.0 to 5.5 percent. Similarly, rates declined at the national and state levels. Wisconsin's rate fell to 5.5 percent and the U.S. rate dropped to 5.4 percent.

Total employment is given in Table 3. The only local area to experience an increase in employment was Portage County. Portage added about 2.4 percent to its payrolls. For one of the few times in the past 20 years Marathon and Wood Counties are estimated to have experienced declining employment, 4.7 and 2.4 percent respectively. This gave rise to an overall decline of 2.3 percent in the central Wisconsin employment level. Wisconsin, as well, is thought to have declined by about 0.3 percent in terms of its employment.

Nonfarm industrial sector employment is given in Table 4 and points to a somewhat brighter picture for central Wisconsin. Total nonfarm employment rose from 144.4 to 146.2 thousand over the course of the year. Every sector, except for leisure and hospitality, registered employment gains. Even the beleaguered manufacturing sector managed to generate a small gain of 0.7 percent.

An important measure of central Wisconsin retail activity is given in Table 5. County sales tax collections fell from \$1,096 to \$1,045 thousand in Portage County. Likewise, Marathon County sales tax collections declined from \$2,531 to \$2,487 thousand from a year ago. These figures suggest that we have hit a soft spot in retail activity for these counties. Perhaps, springtime will generate better numbers for merchants.

The CWERB survey of regional businesses shows a fair degree of optimism being expressed for the national economy but not as much optimism for the local economic situation. While the group gives a modestly upbeat assessment of future conditions, it is clear that this group felt more optimistic about the economy in the December 2004 time frame.

TABLE 2**UNEMPLOYMENT IN CENTRAL WISCONSIN**

	Unemployment Rate March 2004	Unemployment Rate March 2005	Percent Change
Portage County	6.0%	5.6%	-7.3
City of Stevens Point	N/A	6.5%	N/A
Marathon County	5.1%	5.0%	-2.4
Wood County	7.5%	7.1%	-5.3
Central Wisconsin	6.0%	5.7%	-5.0
Wisconsin	6.2%	5.5%	-12.4
United States	6.0%	5.4%	-10.3

TABLE 3**EMPLOYMENT IN CENTRAL WISCONSIN**

	Total Employment March 2004 (Thousands)	Total Employment March 2005 (Thousands)	Percent Change
Portage County	37.0	37.9	+2.4
City of Stevens Point	N/A	13.2	N/A
Marathon County	73.0	69.6	-4.7
Wood County	38.5	37.6	-2.4
Central Wisconsin	148.5	145.1	-2.3
Wisconsin	2,869.5	2,862.3	-0.3
United States	137,691	139,759	+1.5

TABLE 4**CENTRAL WISCONSIN EMPLOYMENT CHANGE BY SECTOR**

	Employment March 2004 (Thousands)	Employment March 2005 (Thousands)	Percent Change
Total Nonfarm	144.4	146.2	+1.2
Total Private	124.7	126.5	+1.5
Construction & Natural Resources	4.9	5.1	+4.6
Manufacturing	29.2	29.4	+0.7
Trade	24.7	24.9	+0.9
Transportation & Utilities	7.6	7.7	+1.6
Financial Activities	10.1	10.2	+1.1
Education & Health Services	20.8	21.6	+3.7
Leisure & Hospitality	10.6	10.4	-2.1
Information & Business Services	16.9	17.2	+1.9
Total Government	19.6	19.6	+0.1

TABLE 5**COUNTY SALES TAX DISTRIBUTION**

	Sales Tax 2004 First Quarter (Thousands)	Sales Tax 2005 First Quarter (Thousands)	Percent Change
Portage County	\$1,096.2	\$1,045.0	-4.7
Marathon County	\$2,531.8	\$2,487.5	-1.8
Wood County	\$586.1	\$1,056.6	+80.3

TABLE 6

BUSINESS CONFIDENCE IN CENTRAL WISCONSIN

	Index Value	
	December 2004	March 2005
Recent Change in National Economic Conditions	65	63
Recent Change in Local Economic Conditions	58	52
Expected Change in National Economic Conditions	60	58
Expected Change in Local Economic Conditions	58	54
Expected Change in Industry Conditions	62	54

100 = Substantially Better

50 = Same

0 = Substantially Worse

The Greater Stevens Point-Plover Area

The economic data for the local area is presented in Tables 7-13. A descriptive analysis of the information is presented below.

Total nonfarm employment increased by about 300 positions from one year ago, or an increase of 0.8 percent. Sectors that expanded over the past twelve months were construction and natural resources, trade, education and health services, information and business services, and government. Declining sectors were manufacturing, transportation and utilities, financial activities, and leisure and hospitality. In terms of the greatest number of jobs lost, manufacturing contracted by about 200 positions.

Retailer confidence is given in Table 8 for the Stevens Point-Plover area. Local merchants in the CWERB survey indicated that store traffic and sales were just slightly better than the year before. Given the decline mentioned earlier in sales tax collections, it appears that the retail sector has experienced a rough period. Local merchants in the survey were fairly upbeat in their assessment of future store traffic and sales. Moreover, the group believes that retail matters will improve in the months ahead.

A good sign for the local labor market is the up tick in help wanted advertising. Even though help wanted advertising represents only a small fraction of the number of available positions in an area, it is nonetheless a good barometer of what will be taking place in the local labor market. At the national level the help wanted advertising index was virtually unchanged.

New public assistance claims while up slightly are virtually unchanged from a year ago. The number of new claims rose from 231 to 238. A more substantial increase was registered for the total caseload from 4,220 to 4,561 or 8.1 percent. Another measure of local family financial distress is unemployment claim information. New claims rose from 195 to 258, a gain of 32 percent. Meanwhile total claims fell from 1,967 to 1,788. In sum it appears there has been an overall increase in the level of family financial distress.

Residential construction in our area is well off the pace established in first quarter 2004. Residential permits issued fell by 34.6 percent and the estimated value of this activity declined by 25.4 percent. In addition, the number of new housing units contracted by 33.3 percent. Alteration activity was also well off pace from last year. Residential alteration permits issued went down by 13.8 percent and their estimated value decline by 12.7 percent.

Nonresidential construction is given in Table 13. No percentage changes are given due to the volatile nature of this kind of construction. The number of new permits issued was 4 and the estimated value was a very substantial \$9.4 million. Two major projects this time around include the permits for the new Holiday Inn and Kohl's

department store. Lastly, the number of business alteration permits was 34 and the associated value was \$962.9 thousand.

TABLE 7**PORTAGE COUNTY EMPLOYMENT CHANGE BY SECTOR**

	Employment March 2004 (Thousands)	Employment March 2005 (Thousands)	Percent Change
Total Nonfarm	33.6	33.9	+0.8
Total Private	27.5	27.8	+1.0
Construction & Natural Resources	1.0	1.0	+3.0
Manufacturing	4.8	4.6	-4.7
Trade	5.6	5.8	+2.7
Transportation & Utilities	1.7	1.7	-2.1
Financial Activities	4.0	4.0	-0.2
Education & Health Services	3.3	3.6	+8.1
Leisure & Hospitality	2.9	2.8	-1.9
Information & Business Services	4.2	4.4	+3.7
Total Government	6.0	6.1	+1.8

TABLE 8

RETAILER CONFIDENCE IN STEVENS POINT-PLOVER AREA

	Index Value	
	December 2004	March 2005
Total Sales Compared to Previous Year	55	58
Store Traffic Compared to Previous Year	50	52
Expected Sales Three Months From Now	55	62
Expected Store Traffic Three Months From Now	53	60

100 = Substantially Better
50 = Same
0 = Substantially Worse

TABLE 9

HELP WANTED ADVERTISING IN PORTAGE COUNTY

	Index Value	
	2004	2005
Stevens Point (March) 1980=100	78	84
U.S. (February) 1987=100	40	41

TABLE 10

PUBLIC ASSISTANCE CLAIMS IN PORTAGE COUNTY

	2004 First Quarter (Monthly Avg.)	2005 First Quarter (Monthly Avg.)	Percent Change
New Applications	231	238	+3.0
Total Caseload	4,220	4,561	+8.1

TABLE 11

UNEMPLOYMENT CLAIMS IN PORTAGE COUNTY

	2004 First Quarter (Weekly Avg.)	2005 First Quarter (Weekly Avg.)	Percent Change
New Claims	195	258	+32.1
Total Claims	1967	1788	-9.1

TABLE 12**RESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA***

	2004 First Quarter	2005 First Quarter	Percent Change
Residential Permits Issued	26	17	-34.6
Estimated Value of New Homes	\$4,200.0 (thousands)	\$3,133.0 (thousands)	-25.4
Number of Housing Units	27	18	-33.3
Residential Alteration Permits Issued	109	94	-13.8
Estimated Value of Alterations	\$705.4 (thousands)	\$616.0 (thousands)	-12.7

TABLE 13**NONRESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA***

	2004 First Quarter	2005 First Quarter
Number of Permits Issued	3	4
Estimated Value of New Structures	\$280.0 (thousands)	\$9,351.0 (thousands)
Number of Business Alteration Permits	33	34
Estimated Value of Business Alterations	\$2,935.6 (thousands)	\$962.9 (thousands)

* Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.

Business Ethics Today

Elizabeth M. Martin, Ph.D.
Division of Business and Economics
University of Wisconsin-Stevens Point

Enron, WorldCom, Boeing, AIG, and Fannie Mae: To demonstrate the lack of business ethics today, one does not have to search far for evidence. Despite the long list of recent scandals, however, we cannot give up on the challenge of building an ethical business environment.

Political and legal systems can restrain individuals but we cannot rely solely on government power to reign in the excesses of greed. We have seen increased legislation and regulation (for example, Sarbanes-Oxley) but rules alone will not solve the ethics deficit. As soon as a new set of rules is implemented, brilliant minds will begin to develop avoidance mechanisms.

What is needed in today's business world, besides regulation and legislation, is trust. "Trust is an indispensable asset in a free society and a precious ingredient in the business world," writes Jordi Canals, dean of a leading European business school.

...[W]ithout trust, business transactions become uncertain, the attraction and selection of people is surrounded by cynicism and becomes costly, while managing international corporations becomes bogged down by suspicions of unfairness and different sets of standards at home and abroad....Market economies depend on trust and no amount of legislation can enforce that. One can be forced to behave in certain ways, but one cannot be forced to trust other people.

Thus, building business upon an ethical foundation is not optional---it is a fundamental requirement of the capitalist system. If we do not address conflicts of interest, treat people fairly and negotiate in good-faith, the free-enterprise system will eventually collapse.

How can we address our current ethics deficit? In this paper, I am going to address three key aspects of this problem: the cultural environment our students and workers belong to, the efforts of ethics educators including UWSP faculty, and suggestions for managers and business leaders to consider.

"The Cheating Culture"

In a recent best-selling book, David Callahan provides an exhaustive and disheartening report on the decline of moral values in American culture.

Cheating is everywhere....[People are] breaking the rules to get ahead academically, professionally, or financially. Some of this cheating involves violating

the law; some does not. Either way, most of it is by people who, on the whole, view themselves as upstanding members of society.

...Americans seem to be using two moral compasses. One directs our behavior when it comes to things like sex, family, drugs, and traditional forms of crime. A second provides us ethical guidance in the realm of career, money, and success (14).

Callahan argues that four key trends have contributed to the widespread cheating we see today.

First, many workers today live with little job security and strong pressure from management to deliver results. Many jobs are now built around targets, goals and quotas; workers feel pressured to do whatever it takes to generate strong results (20).

Second, many professions have developed a “star” system, where a few people at the very top make exorbitant sums and the rest make substantially less. Today we not only have star athletes, we also have star professors and journalists too. Thus, if there is a chance that cheating will catapult one into the “big leagues,” potential cheaters see a huge upside to their ethical shortcuts (21).

Third, since the 1980s we have had less regulation by government and self-regulating professional groups (21). The IRS, for instance, has not received adequate budgetary funds and has therefore decreased its enforcement efforts (22). An estimated two million Americans have thus felt secure in establishing “illegal off-shore bank accounts that they use to evade taxes” (10). In the current uproar over accounting misdeeds at AIG, some experts are saying “for years regulators failed to detect lapses” (McNamee, 34).

Finally, there is increased cynicism among Americans. Callahan asks, “What happens when you think the system is stacked against people like you and you stop believing that the system is fair?” (23) The answer, of course, is that one cheats. The belief that everyone else is cheating provides an all-purpose rationale for whichever ethical misdeeds one is contemplating.

Callahan concedes that the current societal views on cheating will not be easily overcome. In the long term, we as a society need to strengthen enforcement along with ensuring access to economic opportunity (27). In the immediate term, as individuals we have to make conscious choices to follow the rules, even if it means working harder to compete against others who are cheating (26).

As business people and as educators, it is important for us to understand how pervasive cheating norms have become in today’s society. If “everyone” is cheating, individuals feel free to go along; in fact, they feel like suckers if they do not. Those who cheat do not think of themselves as “bad” people, for they see cheating as just another tool in the drive to get ahead. Students, for instance, typically describe plagiarism as “no big deal”

to me; “it’s like speeding on the interstate---everyone does it.” Tapping into this sentiment, one “paper writers for hire” web site advertises that smart students will use its service to “outsource” their work (Marketing Assignments). In this view, cheating on assignments is not unethical---it is just smart time management.

Research confirms the prevalence of cheating among college students. In the largest recent study, McCabe surveyed 18,000 students across the US in 2003. Thirty-eight percent of the students surveyed admitted to doing “cut-and-paste” plagiarism from Internet sources in the past year, with a similar number saying that they had copied from print sources. Forty-four percent of the students reported that such behavior was a trivial matter or was not cheating at all. Unfortunately, business students’ self-reported cheating on tests and assignments was among the highest, at sixty-three percent (Rutgers-Newark University; Rimer). Keep in mind that these figures, as depressing as they are, probably understate the true state of affairs since some students may have hesitated to admit to their actions.

What Can Educators Do?

Business Ethics faculty are not laboring under the misconception that we can single-handedly counteract the deep societal pressures on our students nor can we somehow miraculously infuse them with the “right” values---even if we could figure out what those are.

We cannot, however, ignore the problem. We would be abrogating our responsibilities as educators if we were to turn a blind eye to cheating going on in our classrooms or if we were to concede defeat by, for instance, eliminating all writing assignments due to the ease of copying materials from the Internet.

At UWSP, as at many business departments across the country, we have added a new emphasis on ethics to our curriculum. As I will explain, we have adopted a new plagiarism-detection system and developed a new Ethics in Business and Accounting class. Through many different discussions and projects during the ethics class, we teach the students about balancing economic, legal and ethical pressures. We share examples of companies that have made a strong commitment to ethical values as well as warn students about what not to do in the workplace. We spend considerable time helping students to identify and reason through the most challenging ethical dilemmas, the “Right vs. Right” decisions.

The plagiarism-detection system used at UWSP is a web-based system known as turnitin.com. When faculty members decide to use the system, their students submit copies of all written work to the web site. The system then scans the submitted papers and produces a report of any matches it finds. Submitted papers are compared to nearly every potential web source as well as to all papers previously submitted to the service.

Student response to the adoption of turnitin.com at UWSP has been encouraging. Not surprisingly, they are typically wary initially of whether the system will be difficult to use or whether it will return too many “false positive” indications of plagiarism. When they see that neither problem is common, they become supportive of its use. They agree that the system is leveling the playing field for them, against other students who might potentially cheat. The system is thus making it easier for students to do the right thing. In the long run, the system is also protecting the value of the degrees the students hope to earn, as it maintains the reputation of UWSP as an institution of integrity.

Student response to our new ethics class at UWSP has been very positive. Students have reported that they have gained a deeper understanding of how to balance economic (profit), legal and ethical concerns. Successful business people must find ways to operate at all three of these levels of decision making simultaneously, much like they must simultaneously consider strategies from financial, marketing and production perspectives (Boatright).

Many of our students initially believe that “if it’s legal, it’s okay,” but we stress that in many situations, following the law is not enough.

Not everything that is immoral is illegal; for instance, certain extreme competitive strategies have been held to be legal despite their ethical shortcomings. An example of this is provided by employees at Toys R Us, who systematically shopped at a competitor’s store to pick up loss-leader items and complimentary gift certificates. The competitor’s promotion specifically prohibited purchases by other retailers, but the Toys R Us employees did not disclose their affiliation. The strategic purchasing by Toys R Us employees culminated in \$1.5 million worth of goods and \$375,000 worth of gift certificates. The competitor sued unsuccessfully for damages (Boatright).

In other instances, the law may be slow to catch up with society’s moral standards. Looking back at the period before the passage of the 1964 Civil Rights Act, discrimination that we would now find illegal would have been permitted; nevertheless, we would still say that such discrimination would have been immoral (Boatright xx). For a current example, consider where the law stands now on providing benefits to employees with domestic partners (gay or otherwise). Will we look back at this period and shake our heads at the actions of organizations that resisted offering such benefits?

Students have also said that they have appreciated learning about companies that are succeeding while incorporating a strong ethical perspective into their decisions. Companies such as SAS, the Men’s Wearhouse, Cisco and Southwest Airlines have developed, according to research by Charles O’Reilly III of Stanford University, sustainable competitive advantage by treating their employees as their most important assets.

Our ethics class, of course, includes guidance on what “thou shalt not” do in the business world (Schmalensee). This begins with personal values of being honest, truthful and fair, or more negatively, the advice to not lie, cheat or steal. Following these

basic “commandments” will help when one is faced with what can be called “Right vs. Wrong” decisions. For example, there is the recent case of over one hundred applicants to some of the nation’s top business schools who were caught hacking into a database to see if they had been accepted for MBA programs. When the schools realized what the students had done, the schools notified the students that their applications were summarily denied. (The schools did tell the students that they could reapply next year, however.) (Lindsay)

Yet, personal values do not provide sufficient guidance when it comes to complex business situations such as antitrust issues, deceptive advertising or international issues. In the most difficult situations, we have competing rights, conflicting stakeholder interests and/or contradictory principles. Situations such as this, challenging leaders and organizations to their core, are what Joseph Badaracco of Harvard University calls “Right vs. Right” decisions.

A relatively simple “Right vs. Right” situation described by Badaracco occurs when a manager is approached by an employee who asks for guidance on making a major personal decision. The employee is considering taking on considerable debt to purchase a newer home and asks if the manager thinks this is a good idea. The manager knows that layoffs are looming and that this employee could find himself in financial strife if he takes on the extra debt. The manager would like to be able to tell the truth to the employee and honor their personal relationship. Unfortunately, the manager also has a duty to the organization to keep news of the layoffs under wraps until a certain date. Honoring his duty to the employee would mean violating the trust placed in him by his superiors and could mean substantial losses to the shareholders. (The manager decides to compromise by indicating to the employee that there are some general reasons that would indicate this is not a good time to take on debt, such as upheaval in their industry.)

The famous Tylenol poisoning case in 1982 provides a more extreme, life-or-death situation. When the matter came to Johnson & Johnson’s attention, six people in the Chicago area had died after taking capsules laced with cyanide. CEO James Burke was widely praised for his decision to pull the remaining product from store shelves, thereby preventing further deaths. Burke, guided by Johnson & Johnson’s mission statement, did a masterful job of saving the Tylenol brand (Badaracco).

Badaracco reports that Burke now says that pulling the product was actually a relatively easy decision. Recalling the Tylenol meant that further deaths were prevented and expensive litigation was avoided. In contrast, and what has until now not been publicly known, was the conflicting pressure on Burke not to issue the recall of Tylenol. Officials from the FDA initially advised Burke to leave the product on the shelves, so as to not invoke a wave of “copycat” product tampering. The FDA was particularly concerned that other criminals would tamper with products around the upcoming Halloween holiday. FBI officials also initially advised Burke to not issue a recall, so as to reinforce the government’s position of making no concessions to terrorists. Hence, Burke was placed in a very high stakes “Right vs. Right” decision. As a corporate officer and as a

human being, Burke felt pressured to pull Tylenol from store shelves. However, as a loyal American, he felt he should heed the advice of the FDA and FBI and not issue a recall. Ultimately, the situation was resolved when Burke “got lucky.” The government officials reevaluated their recommendations and decided that the best course of action would be to issue a recall (Badaracco).

Most professionals will face a decision as gut-wrenching as Burke’s rarely, if ever. Yet, the fact that ethical dilemmas are typically more low-key raises another danger: that the dilemmas may not even be recognized as such. Thus, one important job of ethics educators is to help professionals recognize when a situation has ethical dimensions, and hence requires special attention. Jennings discusses typical language that is used by people to rationalize inferior choices in an ethical dilemma:

- “Everybody else does it.”
- “If we don’t do it, someone else will.”
- “That’s the way it has always been done.”
- “We’ll wait until the lawyers tell us it’s wrong.”
- “It doesn’t really hurt anyone.”
- “The system is unfair.”
- “I was just following orders” (4-6).

If you hear yourself or one of your colleagues using one of these phrases, your ethical “radar” should kick in!

Once an ethical dilemma has been identified, the decision maker must take time to reason through the situation. As ethics educators, we coach students in thinking about “compliance, contribution and consequences.”

- All choices must meet the minimal standard of legality.
- How is each choice contributing to shareholders, employees, customers and community members?
- What consequences, such as an effect on the company’s reputation, can be foreseen for each choice? (Jennings 31-32)

In a complex, “Right vs. Right” dilemma, different decision makers might recommend different decisions. When there is not a single “right” answer, what matters is the reasoning behind an answer. Ultimately, the best decisions are founded on the best reasons (Boatright 9). While we can still debate which reasons are best, we should at least make firm our commitment to thoroughly analyze the basis for our choices.

The struggle to make a moral or ethical decision also involves a commitment to be impartial. In essence, a moral decision making standard is the opposite of a selfish perspective: with morality, we are acknowledging that everyone else’s interests, not just our own, are important (Boatright 9).

Finally, we recommend to our students to keep in mind three key tests when making an ethical choice:

- Would you be happy if your decision were printed on the front-page of the newspaper? If not, what are you overlooking in terms of consequences or practicality?
- Does your decision pass the “Golden Rule” test? How would you feel if you or your children were the objects of this decision? Are you respecting the rights of others?
- How would this decision look as part of your obituary? What does it say about your character? (Badaracco)

What Can Business Leaders Do?

Robert Solomon, a leading ethics scholar, points out that most professions---with the notable exception of business---have noble ways of describing what they do. Politicians are public servants. Lawyers defend people’s rights. Physicians save lives. University professors open young minds. When the public thinks about what business leaders do, however, they usually think of something much less flattering: making money. Too often, all the public hears about the business world is its cut-throat competition in the pursuit of greed and the dehumanizing placement of profits before people. As Solomon argues, the business world has an image problem (1-2).

Typical business responses to this image problem are unpersuasive. Certainly, we can argue that the recent scandals were caused by just a few “bad apples.” We can also invoke Adam Smith’s “invisible hand” theorem and claim that specialization and free trade will lead to more wealth overall. Neither one of those arguments, however, will change public perceptions significantly; neither argument will make business leaders be seen as noble contributors to society. Would either one of these claims impress a class of elementary students on “Career Day”? Hardly! We even see this on university campuses, with non-business faculty and students adopting an attitude of superiority over those in the Business Department who are “all about making money.”

To build a more positive image for the field, business leaders first need to set high ethical standards for themselves and their organizations. Gary Dessler summarizes the most important things that managers can do to establish an ethical culture:

- “emphasize top management’s commitment” to ethics
- “publish an ethics code,”
- “establish compliance mechanisms”
- “involve personnel at all levels” of the organization
- “train employees” on appropriate behavior
- “measure results” of the ethics program (35).

Dessler also identifies the worst things that managers can do with regards to ethics:

- “tell staffers to do whatever is necessary to achieve results”
- “overload top performers to ensure that work gets done”
- “look the other way when wrongdoing occurs”
- “take credit for others’ work or shift blame” (33).

Through their words and their actions, business leaders must demonstrate their commitment to maintaining ethical standards. Employees will quickly detect any inconsistencies between leaders’ claims of commitment to ethical standards vs. their expectations of their employees.

In addition, we must systematically do more to educate the public about the good that business does: providing jobs that give financial and personal rewards, strengthening local communities, going the extra mile for customers and delivering quality goods and services (Solomon 3). Outreach and dialogue with our communities will provide a solid foundation for society appreciating the contributions of business.

Take Action

Repairing the ethics deficit is not going to be a quick or easy task. It can seem overwhelming and impossible at times. We must persevere, act on our convictions and persuade others to join us.

I challenge you to think about what you are doing in your organizations and in our community to strengthen the ethical foundation of the business sector.

Finally, I offer one specific opportunity to contribute: I am searching for local business leaders to speak to our senior Business students this fall on topics relating to “Ethics and Leadership.” If you have a unique perspective, experience or lesson to share with our students, please contact me.

Works Cited

- Badaracco, Joseph. Defining Moments: A Framework for Moral Decisions. CD-ROM. Boston: Harvard Business School, 2002.
- Boatright, John R. Ethics and the Conduct of Business. 4th ed. Upper Saddle River, NJ: Prentice Hall, 2003.
- Callahan, David. The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead. Orlando: Harcourt, 2004.
- Canals, Jordi. "Regulation Cannot Restore Trust in Business." Wall Street Journal 23 Feb. 2004.
<<http://online.wsj.com/article/0,,SB107748928612836032,00.html>>.
- Dessler, Gary. Management: Principles and Practices for Tomorrow's Leaders. 3rd ed. Upper Saddle River, NJ: Pearson, 2004.
- Jennings, Marianne M. Business Ethics. 4th ed. Mason, OH: West Legal Studies in Business, 2003.
- Lindsay, Jay. "Curiosity kills applicants' hope of business school." Milwaukee Journal Sentinel 10 Mar. 2005: 12A.
- Marketing Assignments. Home Page. 9 Sept. 2003.
<<http://www.marketingassignments.co.uk/default.asp>>.
- McNamee, Mike, et al. "Watchdogs With Eyes Wide Shut." Business Week 25 April 2005: 34-37.
- O'Reilly, Charles III. How Great Companies Achieve Great Results with Ordinary People. VHS. Stanford, CA: Stanford Video, 2001.
- Rutgers-Newark University. "New Study Confirms Internet Plagiarism is Prevalent." Campus News. 28 August 2003. <<http://www.newark.rutgers.edu>>.
- Reimer, Sara. "A Campus Fad That's Being Copied: Internet Plagiarism." New York Times 3 Sept. 2003.
<<http://www.nytimes.com/2003/09/03/education/03CHEA.html>>.
- Schmalensee, Richard L. "The 'Thou Shalt' School of Business." Wall Street Journal 30 Dec. 2003.
<<http://online.wsj.com/article/0,,SB107273814535754300,00.html>>.
- Solomon, Robert C. A Better Way to Think About Business: How Personal Integrity Leads to Corporate Success. Oxford: Oxford University Press, 1999.