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## Managers and lying: Constructing a framework for empirical analysis

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### 1. Introduction

Under the last few years there has been a lot of fuzzy talk, scientific discourses and comments of business life about the values, ethics and the social responsibility of companies. The companies are expected to have also some other tasks besides of gaining profit. Part of the tasks which management has besides thinking of the benefits of own organization, are things that work for the well-being of the whole society. Issues like these are among others working for employment and taking care of environment and secure of consumers' affairs.

While making decisions of own acting in company the management has to face often the ethical solutions. The benefits of the company may be different compared with the benefits of the other business stakeholders. In this case the manager has to decide which part he should act for, for the company or for the stakeholders. The ethical problems in decision-making may appear also inside the company. In our study we are very interested in decision-making processes which are associated with the honesty of the manager and being honest with the stakeholders both inside and outside the company.

In this paper we have tried to create the framework which may help us to find out in what kind of situations the manager face the problem whether he should tell the truth to stakeholders or not.

### 2. The background

Carson (1988) says that a lie is a deliberate false statement which one has promised to be true. Carson states that when one in normal case says something at the same time he evasively guarantees the truthness of the statement unless the listener has something special reason to believe that the person is dishonest. Lying is breaking the promise of speaking the evasive truth. According to Carson lying is waking up the confidence in counterpart and at the same time betraying the confidence by deliberately telling the untrue things. According to Carson, Wokutch and Murrmann (1982) telling the untrue things is lying when speaker has either promised to tell the truth or listener has right to know the truth. For example murderer is not lying when he gives wrong information because he has not right to know the truth. This also depends a lot of the situation; the case will not be always as simple as described above. According to Chrisholm and Feenan lying unlike the other types of intended deceptions is essentially a break of faith.

Grover (1993a) presents in his study a model of role conflicts in the background of lying. One man can have in organization several different roles duing to demands of which he should fulfill. According to Grover lying in the organization is due to the fact that there is a conflict between the expectations for the roles and it is impossible to act in two or more roles at the same time. Conflicting roles bring about the feeling of anxiety. One try to get rid of the anxiety by acting according to some of the role expectations and at the same time giving other people the feeling that he would have acted for some other role. In this case one seems to fulfil all the expectations although in fact he acts only for the demands of one role. Grover presents also other means besides lying with which one can reduce the anxiety causing by different role expectations.

Grover (1993b) has also studied the influence of the stage of moral development on lying in role conflicts. He states that a person in organization can have several roles duing to demands of which he should fulfill. According to the study a person who is on the conventionl stage of the Kohlbergs moral development feels more anxiety in role conflicts and chooses more likely lying as solution in role conflict than a man who is on the principal stage of the moral development. According to Grover a person who is on the principal stage believes his own internal and universal ethical principles and his acting is less connected to situations than a mans who is on the lower stage of moral. A man on the principal stage tries more likely to change or unify the conflicting demands than choosing lying as a solution for

role conflict. Humphreys, Robin, Reidenbach and Moak (1993) have studied if there are differences between ethical opinion of the owner-managers of small companies and their customers. Humphreys, with others, conduct many tests to people in small organizations in four different case-studies concerning the ethical decisions.

### **3. The aim and the method of the article**

In this article we intend to construct a framework for studying in what kind of business situations manager don't tell the truth (forthcoming). The aim of the article is to find solution to the question which kind of dishonest means manager uses in his managing decisions concerning stakeholders. With the preliminary case study under consideration we try at the same time find out if there exist differences between female and male manager concerning opinions about lying. We have concentrated to study dishonesty in manager's work. We don't therefore study what dishonesty means managers use in their personal life. We have also focused the study only on managers in the top management because we believe that they have wide view of the operations inside the organization. We also leave outside all other situations where information is twisted but ethical decision situations; we dont study treachery in wider sense. For example economy or insurance treacheries dont belong to our study. We assume that managers twist the truth in their managing work. One assumption of this study is also that different stakeholders set different demands for telling the truth and that in different situations covering the truth is different. We assume too that there are differences between female and male managess opinion conserning lying (empirical analysis is forthcoming).

Our approach can be called also as ethnographic method. This approach uses "small stories" narrated by ordinary people, as data base. In our context everyday experiences of manager's daily work is used. Small research sample is also typical for this approach. By studying a small group of people it is possible to get deeper understanding than by using positivistic statistical method.

To construct the framework for empirical study elements from scientific journals and ethical and psychological literature are gathered.

### **4. Moral and ethics - theoretical considerations**

#### 4.1 Definition of moral

Moral can be defined as habit related, individuals and groups good manners and behaving roles. According to the Dictionary of Finnish language (1993, 380) moral means individual's or society's ethical behaving roles and opinion about right and wrong. According to Collins Concise Dictionary (1990, 834) moral is separating between right and wrong or between good and bad behaving. It is also striking against generally accepted standards of behaving. Moral is human conscience based on opinion about right and wrong. Petit Larousse Illustré (1991, 640) defines moral as society's behaving roles and values which work as society's norms, like honesty and fairness.

According to Airaksinen (1987, 62-63) moral is seen as the way of human acting and using language which is:

1) prescriptive, for example requesting or ordering (opposite to descriptive). Moral language not only describes things but in the first place it tells you to do something, requests to commit to something and demands you to think and judge choices. Prescriptions are acting and deciding related commitments which appear as orders, requests, thanks, disapproval and other same kind of attitudes transmitted by language.

2) universal Demand for being universal means that evaluations are not tied up with any specified person or his role. All people equal and have same duties and rights.

3) autonomous Moral autonomy means that moral cannot be reduced to any other area of human life. Moral is seen to be different thing as to power or money, biology, art or religion belonging values and obligations. There are many kind of values but moral differs in some way from them all. (Airaksinen, 1987, 71)

4) most important to man The proposer of moral evaluation prefers his thoughts invisible compared to all other motives, principles, arguments and values. Moral differs from other areas of values and is independent from those but it is also more important compared to them.

One of the most central problem area in ethics is the problem of moral and problem of telling the truth. According to Bok (1981, 22-23) the "whole truth" is unattainable to man. In his opinion it has seemed so obviously unattainable to some people as to

cause them despair of human communication in general. She sees many barriers to prevent us from obtaining truthful knowledge. How can a physician, for example, tell the "whole truth" to a patient about a set of symptoms and their causes and likely effects? He certainly does not know all there is to know himself. Add to these difficulties the awareness that everything in life and experience connects, so that nothing can be said without qualifications and elaborations in infinite regress. In Boks opinion no concept intimidates and yet draws thinkers so powerfully as the "truth". From the beginnings of human speculation about the world, the questions of what truth is and whether we can attain it have loomed large. Every philosopher has had to grapple with them and every religion seeks answer to them.

According to Donaldson (1992) ethics means behaving manners and norms of certain group or society. Ethics has two meanings. First it refers to acts, that can be either good or bad, right or wrong. Second it refers to reasons why ethical statements are approved or rejected. Business ethics is according to Donaldson systematic study of moral questions related to business life, industry or other institutions. Ethics can be referred also to companys norms, values and habits.

#### **4.2 Theories of ethics**

In the following we have presented a few essential theory of ethics which are used in next part when discussing more closely two managers experiences of ethical decisions. Ethical theories are: Kants duty ethics, two main courses of utilitarianism and egoism and altruism.

##### **Deontology**

The reasoning found in deontological analyses suggests that there are prima facie ideals that can direct our thinking. Modern interpretations of these ideals suggest that they may be considered "universal" in character but not necessarily "absolute" (e.g. Ross 1930). The difference between absolute and universal is simply the recognition that situations sometimes arise in which one or more universal statements of "right" and "wrong" might be inappropriate. The absolutism of early deontological thinking would not admit to the nonabsolute character of rules, but more modern versions such as that put forth by Ross perceive these statements as prima facie universal in character and allow exceptions. In general, the concept is

simply that these rules or duties are required, and a burden of proof lies with any exception to them. Kant (trans. 1964) provided much of the reasoning that underlies modern deontology. His conclusions are based on two concepts. One is simply that the only possible basis for establishing a moral tradition is human reason or logic. The second concept is whether an action can be universalized. For example, one statement of his "categorical imperative" is that "one ought never to act unless one is willing to have the maxim on which one acts become a universal law". His reasoning is simply that good will, and only good will, can be universalized. Thus, a reasonable test for exceptions to universal rules is whether they can meet the criterion of universalized good will. For example, marketers could ask whether it is morally acceptable to market a product known to be potentially harmful to some individuals. The Kantian approach would force the marketer to ask whether he/she would be willing to live in a world where all producers were making a product known to be harmful to some people in its normal use. The prima facie response would likely be, "No". Thus, the burden of proof for treating the product as an exception is on the producer of the "harmful" product.

Rawls provides a relatively modern statement of what is essentially deontological thinking. His work has had considerable impact on modern moral philosophy. His major work, *A Theory of Justice* (1971), has as its initial position the placing of all people behind a "veil of ignorance". Basically, people then are asked what kind of society they would want to live in, given that they know nothing about their own capabilities and potentialities. From this initial egalitarian position Rawls develops two principles of justice. One is that each person is to have an equal right to the most extensive basic liberty compatible with similar liberty for others". The second principle has two parts and can be stated, "Social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all". The first principle and the latter part of the second principle are generally accepted by moral philosophers.

The former part of the second principle has an undeniable egalitarian thrust which is perhaps not surprising given the initial "veil of ignorance" condition. Thus, the deontologist might define an activity as ethical if it involved true freedom of choice and action, were available to all, injured no one, and were a benefit to some. Obviously, price fixing, bribery, and

marketing products that harm people are practices that are morally questionable to deontologists. It is the egalitarian character of deontology, based on universalizing concepts, that provides the foundation for criticisms of the second major tradition in moral philosophy - utilitarianism (Takala, 1996)

### Utilitarianism

The utilitarian ideal can be summarized by the phrase, "the greatest good for the greatest number". There are many variations of utilitarianism, as there are variations of deontology, and only a brief overview of the major ideas is presented here. The primary way of assessing "the greatest good for the greatest number" is by performing a social cost/benefit analysis and acting on it. All benefits and all costs of a particular act are considered to the degree possible and summarized as the net of all benefits minus all costs. If the net result is positive, the act is morally acceptable: if the net result is negative, the act is not. Utilitarianism seems to have been accepted readily by business, in part because of its tradition in economics. Adam Smith (1776) and much of the ensuing economic philosophy of capitalism provide a rich traditional heritage for the utilitarian concepts. Capitalistic systems, by providing the greatest material good for the greatest number, are considered ethical from a perspective of economic philosophy. It should be noted that the utilitarian analyses of moral philosophers extend beyond "material good" to the much broader concept of "utility" from which the term is derived.

Two criticisms are relevant to the discussion. One is the problem of "unjust" distribution of utility. Summarizing the costs and benefits as described above can conceal major negative occurrences to people in small social segments by allowing them to be offset by relatively minor increases in utility to larger segments of society. Though one version of utilitarianism (i.e., rule utilitarianism) would allow constraints so that negative outcomes could be eliminated, the criticism is still valid. For example, most of the arguments in support of the continued sale of infant formula by Nestl to third world countries were utilitarian. In this case, it was suggested that the greatest good to society was derived from the continued sale of the product. Other arguments, primarily deontological, seem to have prevailed because Nestl agreed to severe marketing restrictions (e.g., World Health Organization's International Code of Marketing of Breast-Milk Substitutes 1981). An additional problem for utilitarianism is concern for individual

acts. If each act is judged solely on its own cost/benefit outcome, there is a lack of consistency and ability to generalize. Marketers may argue that fraudulent advertising is all right if no one is worse off, and a rule against such practices becomes less tenable. However, in spite of the weaknesses of utilitarianism, it is still a major tradition in moral philosophy and maintains substantial support.

A concluding point about the two major traditions is necessary. Deontology has the individual as its major concern and unit of analysis, whereas utilitarianism is decidedly social in character and focuses on the welfare of society as a unit. This focus can, in a number of situations, put the two traditions at odds with each other, as in the Nestl case. There is no totally accepted, absolute statement of what is ethical and what is not ethical - only important and carefully reasoned traditions (Takala, 1996).

#### Virtue ethics

One can think that any professional activities can be understood as guided by some special, "artificial", virtues. This move is needed because it is quite evident that generalized moral considerations and psychological descriptions are irrelevant when they are applied to professional life, e.g. to acts of professional marketers. Professions typically deal with problematic areas. Their virtues probably are different.

Virtues are those goodmaking tendencies to act, or role related, artificial character traits, which serve the goals of professions. We may describe an ideal professional whose typical behavioural tendencies, values and other relevant features are such that they serve the professional goals. This move creates the necessary gap between general moral considerations and the professional duties and values. For some professions such a gap is both typical and very wide. In the "world of professionals" the professional-goals are seen "good", in some way or another.

Professional virtues (Airaksinen, 1987) are those character traits, possessed by an individual professional, which serve those goals as well as possible. Professional virtues may be different from ordinary virtues (like honesty, fairness, impartiality etc.), and still may be justified through the goals they serve. Some provocative examples: business defies honesty by selling poison, advertising produces blatant lies, distort reality and create artificial needs to make profit for a firm. A used car salesman must be a professional liar to succeed in his

business. The profession's socially justificatory argument (statement of leading goals) provides rather narrow limits for the professional activities and virtues. If we look at business life, a relativist can argue that it is foolish to require business men to follow the norms of honesty in any other sense but that which is internal to business life. E.g. ruthlessness is an example of business virtue which is not a virtue in the outside world, and the virtue of honesty must be studied from the inside point of view of business life.

## Business ethics

People's increased awareness of the ecological and human disadvantages caused by business has caused yet increasing need for ethical evaluation. This for its part has increased pressure to business lives so that it would take more than now care of the ethical aspects in its operations. In the value environment of the companies there has happened changes which have influenced so that people have started to demand yet cleaner products and environment, less polluting production processes and so on. According to one definition business ethics is looking for arguments for the good business life and finding out what kind of is good business life both from the company's point of view and from the society's point of view. Also business ethics can be defined as one field of the applied ethics' implication, which tries to study, analyze and develop business life's practices to more ethical direction, in other words, to direction that business life would take more into account general human values in doing its main task, profit gaining by producing commodities (Takala, 1992). One area of business ethics is lying. Lying belongs to managing in the same way as to all life areas; it's also part of the business ethics study area.

But what is essential, is the fact that it is very neglected area of business ethics to study lies and lying in business context. It can be stated that only very few studies can be found about this issue. So our study will patch a very evident hole in one research area of business ethics.

## 5. Lying

"The truth has many faces. Lying only one." Georges Schehade

### 5.1 Definitions and different stages of lying

Dictionary of Finnish language (1993, 782-783) defines a lie as

false information and lying as false talking. According to Petit Larousse Illustré (1990, 615-616) lying is to let you understand that given information is right although one knows it to be wrong or deny something he knows to be true. According to Collins Concise Dictionary (1990, 732) a lie is untrue or deceptive statement which is meant deliberately to mislead you. Carson, Wokutch and Murrmann (1982) think that abovementioned definition of lie is insufficient. In their opinion a lie is not meant to mislead you; a man can lie without hoping the listener to believe the statement. For example, a witness may have to lie in the court for the accused being afraid for his own life. In this case he may hope that the jury would not believe him.

Kant defines a lie only as false information deliberately given to another people. In Kant's opinion all conscious misleading is not real lying. As an example he uses a man who wants others to think that he will go abroad when he packs the suitcase to give impression that he is really going. Although he succeeds to mislead others this cannot be called lying because he hasn't verbally told about it (Chisholm & Feehan, 1977).

According to Bok (1981, 33) deception is the message meant to mislead them, meant to make them believe what we ourselves do not believe. We can do so through gesture, through disguise, by means of action or inaction, even through silence. Deception is the large category and lying forms part of it. Bok defines a lie as any intentionally deceptive message, which is stated. Such statements are most often made verbally or in writing, but can of course also be conveyed via smoke signals, morse code, sign language, and the like.

Carson (1988) states that when person in normal circumstances says something at the same time he guarantees the statement to be true unless the listener has something special reason to believe that the person is dishonest. Carson defines a lie as deliberate false statement which one has promised to be true. Lying is breaking the promise of speaking the evasive truth. According to Carson lying is waking up the confidence in counterpart and at the same time betraying the confidence by deliberately telling the untruth things. According to Kant (Carson etc., 1982) lying is telling the untruth things when listener has right to know the truth. Murderer is not lying when he gives wrong information because he has not right to know the truth. According to Carson, etc. (1982) telling the untruth things is lying when speaker has either promised to tell the truth

or listener has right to know the truth. According to Christolm and Feenan lying unlike the other types of intended deceptions is essentially a break of faith. A man who packs his suitcase dont give reason to his friends to believe that his is going to travel somewhere. In this case he does not betray the confidence of his friend, and there fore does not lie.

Bok (1981, 84) states that lying has different stages. Harmful lies are the worst ones. Planned lies are worse than unplanned lies; a disposable lie is considered less severe than repeated one. Planned and repeated lies are so especially suspicious no matter how big repentance the liers shows between the lies. Often as defense for lies is stated self defense or avoiding to have any harm to yourself. White lie is emergency lie or a falsehood not meant to injure anyone, and of little moral important. White lies are small subterfuges not even be intended to mislead.

## **5.2. Differences between lying and misleading**

Carson etc. (1982) define misleading as deliberately trying someone to believe something that is not true. A lie intends always deliberately to mislead. Misleading instead is not always lying. According to Carson its not lying for example to have automatic lights on your front door to convince a burgeler that you are at home. According to Carson misleading is lying only when it includes untrue verbal expressions. So Carsons etc. thinking approaches Kants and Boks definition of lie: lying includes always misleading in verbal form but all misleading does not include lying.

One deceptive practice is that of the inflated recommendation. It seems a harmless enough practice, and often an act of loyalty, to give extra praise to a friend, a colleague, a student or a relative. In the harsh competition for employment and advancement, such a gesture is natural. It helps someone, while injuring no one in particular; yet the practice obviously injures those who do not benefit from this kind of assistance. Two applicants for work who are equally capable, may be quite differently rated through no fault of their own (Bok 1981, 95).

## **6. To sum up**

We have intended to consruct a framework for empirical analysis considering the problems of lying and truth-telling in business life. Several issues are put forth:

- Ethical theories; deontology, utilitarianism, virtue-ethics are the basic elements of analysis
- The concept of lying and truth-telling must be related with each other
- The complexity of decision making in business is an important feature of real business life
- Professional virtues of business managers must be studied and defined

In the next phase an empirical analysis of Finnish business managers will be executed. The report will be published in EJBO.

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