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Behavioural Ethics

University Module Series
Integrity & Ethics

PAKISTAN

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Global Integrity Education (GIE) project
University Module on

Behavioural Ethics*

Localized version of Module 8 of the Education for Justice (E4J) University Module Series on Integrity and Ethics

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Introduction

Evidence from behavioural science research has shown that people are less consistent and less rational in their decisions than they would like to admit to themselves. Sometimes a person may not be aware when his or her behaviour diverts from ethical standards. This is because justifications and biased judgment blur the perception of ethical breaches (OECD, 2018). This Module provides a brief introduction to the field of behavioural ethics, which studies the psychological processes that drive ethical and unethical behaviours. The aim of this Module is to provide students with insights into human behaviour, that can be easily translated into actions they can take, to create more ethical environments. The Module relies on students completing up to three surveys before class begins, as part of the preparation process. These surveys will provide data that can be used to illustrate concepts presented in the Module. Students will understand the concepts better when they can see those concepts in their own behaviour. The pre-class surveys are a critical innovation for this Module, as they illustrate not only course content but also how behavioural science is conducted.

The Module is a resource for lecturers. It provides an outline for a six-hour workshop but can be used for shorter or longer sessions, or extended into a full-fledged course (see: Guidelines to develop a stand-alone course).

Learning outcomes

- Identify ethical risks in everyday life, societies, and organizations that can lead to unethical choices, such as structures that diffuse responsibility or a group that has collectively de-stigmatized unethical behaviour

- Understand that ethical choices are not made in isolation, but are part of social interaction (so what others think or do matters)

- Use behavioural insights to create an environment which encourages more ethical behaviour

- Appreciate that behavioural policy design can be implemented effectively to increase ethical behaviour at very little financial cost

Key issues

People intuitively believe that ethical behaviour is a product of personal beliefs and characteristics, but there is increasing evidence that a person's context exerts a surprisingly powerful influence on behaviour. This Module adopts a psychological approach to understanding ethical behaviour. It addresses one of the most basic problems of ethics: why do ethical people sometimes behave unethically? Answering this question requires an understanding of fundamental psychological processes that can lead anyone down a slippery slope towards unethical behaviour, destroying careers and businesses and bring shame to individuals and organizations. This Module complements other modules in the E4J Integrity and Ethics Module Series, although it offers a different perspective and works with different assumptions.

First, it is useful to understand the discourse surrounding ethical behaviour. Behavioural science has identified at least four common misunderstandings, or "myths", about ethical behaviour that can impair or bias our ability to manage it effectively. By "myth" we mean a belief that has some element of truth but is generally exaggerated or oversimplified. These four basic myths about ethical behaviour can be summarized as follows:

> » Myth 1: It's the individual: there are good people and bad people
> » Myth 2: It's all about motives
> » Myth 3: It's about ethical principles
> » Myth 4: Everyone is different

The first myth is that ethical behaviour is a property of a distinct people, in the sense that there are good people who act well and bad people who act badly. And, of course, the presumption is that you can identify these good people and bad people. However, in reality most people behave ethically in some circumstances and unethically in other circumstances. Ethical character is not as stable as one might expect.

The second myth is that behaviour is guided by intention: Bad acts are guided by bad intentions, and good acts are guided by good intentions. This, however, fails to take into account the power of context. Bad things can be done with good intentions; this is known as "Ethical Blindness".

The third myth is that it's all about ethical principles: ethical actions are guided by ethical reasoning. But the reality is that reasoning often follows action taken in order to justify, explain, or rationalize it.

The fourth myth is that everyone is different, and everything is relative. However, most people and societies recognize a basic moral foundation to build upon, even amid differences generated by individual experiences, background, and immediate context.

> ## Pakistani perspective

In order to understand "behavioural ethics", we must first understand un-ethical behaviour and how it has become so pervasive, that for the most part, while indulging in unethical behaviour we no longer recognize it as such. Some of the unethical behaviours that we commonly observe in Pakistan are:

Unethical behaviour among individuals

- Misstatements about expenditure incurred to a partner or spouse
- Misrepresentation about your whereabouts to your parents or authority figures
- Borrowing from the petty cash drawer at work without necessary permission
- Misrepresentation about your accomplishments on your resume
- Backbiting
- Accepting credit for someone else's work
- Copying schoolwork off the internet
- Using your position and influence at work to take advantage of someone else
- Selling a house or a vehicle without disclosing its defects or history to the buyer
- Ill-treatment of house workers
- Wasting food at home, at parties and at restaurants
- Wasting water in our daily activities
- Throwing litter wherever convenient and not in waste bins
- Not conserving electricity. Not switching off the lights when leaving the room
- Damaging the environment
- Discriminating against or disrespecting people based on their social stratum
- Not following traffic rules

Unethical behaviour among businesses

- Polluting the water supply by dumping waste materials and chemicals in it, or polluting the atmosphere through release of harmful gases
- Forcing workers not to report injuries for fear of regulation
- Causing undue delays in final settlement of outgoing employees
- Refusal to compensate employees for overtime
- Declaring regular employees independent contractors to avoid payment of statutorily mandated benefits
- Illegitimate capture of market through anti-competition policies
- Advertising false claims of a product's efficacy
- Refusing to honour an insurance claim or warranty
- Labour rights abuses

Unethical behaviour among politicians and the government

- Unlawfully acquiring private, financial or other information to discredit an opponent
- Making false claims in an election campaign to benefit yourself or malign your opponent
- Accepting campaign contributions in excess of the legal limit
- Utilising political donations to meet private expenses
- Unlawful spying on citizens by the government
- Using your position of influence to deprive citizens from their right to vote under the guise of reform or regulation

The aforementioned are examples of behaviours that can be generally observed and are oftentimes excused as pragmatism. Then there are the major corruption scandals that jolt the society out of apathy and these can be observed and studied to understand the psychological effects that cause temptations to behave unethically. As demonstrated by scandals at Enron and other major corporations in the early 2000s, the Ponzi scheme by Madoff, the worldwide financial crisis, the Murdoch newspaper scandal in mid 2011, Volkswagon Emission Scandal, Uber Scandal, BAT unethical practices etc.

In Pakistan many renowned companies were involved in money laundering for politicians and managing their black money. Some of the well known examples are Double Shah Scam, Khanani & Kalia Scandal (Siddiqui, 2013), Mehrangate scandal, Axact fake degrees scandal (Walsh, 2015), Taj company Scandal, OMNI Group debacle (Jawad & Dada, 2018), Schon Group Property Scandal (Gulf News, 2018), etc. Partly due to the significant costs that these behaviours inflicted on a large number of individuals, these and related cases of organizational corruption and dishonest behaviour have led societies to think about the unethical behaviour of some of powerful corporate giants and their impact on societies, both morally and monetarily.

Socio-economic development is closely linked with education and educational institutions, particularly, universities are expected to have academic environments that promote ethical behaviours. A research study by COMSATS Institute of Information Technology did a comparative analysis of prevailing unethical practices in the Universities of Khyber Pakhtunkhwaa (KP)The research used 376 respondent samples from both public & private institutions in KP. The sample size consists of 500 respondents. The results demonstrated prevalence of behaviour not conforming to approved standards in amongst teachers and students, university management and the staff engaged for examinations in most of the institutions included in the research.

Turning ethical principles into practice: Behavioural science has demonstrated that there are two often overlooked aspects of decision-making. The first relates to the way in which individuals make moral choices: psychological shortcuts, misperceptions, and temptations can often divert the best intentions. Understanding the dynamics and pitfalls of moral choices can help guide decisions towards conformity with ethical principles. The second aspect relates to the ways in which social dynamics impact individual behaviour. Morality is influenced by the context people are in, not just by the type of people they are, and this contextual influence is more powerful than people generally expect. Ethics is not just a question of individual moral choice, it is influenced by society, peers, family, neighbours and colleagues. Ethics can therefore, be thought of as a design problem, rather than simply as a problem of beliefs or attitudes, in which social interactions play a critical role. When discussing these issues, lecturers can present the results of pre-class surveys 1 and 2 from the "Exercises" section of this Module, focusing on self-righteousness (Klein and Epley, 2016), and moral foundations (Graham, Haidt and Nosek, 2009).

Current compliance programmes and policies to combat unethical behaviour are often based on the understanding that people will exploit an opportunity for misconduct, whenever profits accruing therefrom, are worth risking potential negative consequences. In other words, individuals are assumed to weigh the probability of getting caught and the ensuing sanctions against the undue gain they could obtain through action or inaction.

The policy implications of such a view usually involve a high level of monitoring and enforcement. However, in reality such stringent policies do not always work, particularly in a context where unethical behaviour has become a norm and thus, there is a collective action trap in which moral appeals will fall on deaf ears.

Turning ethical principles into practice involves two basic steps. The first step is to understand the internal dynamics of moral choice-making and the second step is to create norms that guide ethical action. Moral choice is a dynamic process. Evidence shows that individuals balance their moral choices by continuously comparing their current moral self-perception with their own moral reference point. The moral reference point represents the level of integrity individuals perceive as morally acceptable for themselves. If they find their own action deviates too much from their personal reference point, they counteract. This is known as 'moral balancing'. This process of moral balancing is often unconscious. People do not like to be confronted with their own unethical behaviour. So they may apply justifications to make the dissonance between their moral standards and their actual behaviour appear less grave. When they do acknowledge the dissonance, they often feel bad about their behaviour, resulting in a desire to compensate or 'balance'.

Another related issue is "ethical unawareness": principles guide behaviour only when people are thinking about them, and people might not think about the principles when confronted with ethical dilemmas. To illustrate these points, the lecturer can discuss the investment advisor demonstration (Zhang and others, 2015) as an illustration of ethical (un)awareness (see pre-class survey 3 in the "Exercises" section of this Module). The demonstration illustrates how people might overlook an ethical goal (recommending an ethical company to invest in), if they are focusing on another goal (in this case, maximizing financial profit). However, this demonstration requires some understanding of financial systems including mutual funds and investment advisors (additional information is provided in the pre-class survey to make concepts clearer). If students are unfamiliar with these concepts, then this demonstration can be omitted. In its place, lecturers can discuss similar examples of cases in which people overlook ethical principles while pursuing another goal, such as unfairly helping a friend to get a job, or taking bribes, to benefit oneself in the short run, that come at a cost to others in the long run.

Policies can affect the internal dynamics of moral choice-making and encourage individuals to follow their moral compass, as well as, to always be "ethically awarded" by:

- **Raising the moral reference point:** Inducing people to compare their own actions against higher internal standards. Clearly defining ethical expectations, and emphasizing the trust that the organization (and/or the public) has placed in them, to help adjust the moral reference point upwards. Discouraging information, surveillance and distrust can, in turn, lower the moral reference point against which a person assesses his or her own behaviour.

- **Emphasising the moral reference point:** Tackling the dissonance between internal standards and external behaviours, Even individuals with very high internal moral standards sometimes fail to follow them. If this happens, a dissonance arises between a (considered) behaviour and the moral reference point. Addressing people's personal morality and encouraging them to reflect on the ethical consequences of their actions can lead to more ethical choices.

The second step in enhancing ethical practices is to understand the context in which decisions take place. Moral choices are usually not taken in isolation. In fact, most human decisions are often driven by social motives such as loyalty, trust building, returning favours or helping someone out of a tricky situation. People take decisions in their own best interest, but they also care about what others think or do. Social motives can work in favour or against ethical decisions. The opinions of outside observers usually matter to a decision-maker. People prefer to act in a self-serving manner, but at the same time like to appear moral to others (Batson et al., 1999). Transparency and accountability mechanisms could, thus, reduce unethical behaviour. The perception that one's behaviour is visible and potentially observed, introduces an element of accountability that makes it more difficult to justify, because potential observers could easily detect an excuse. Transparency could also create a 'social multiplier' effect if it triggers dialogue. For example, a committee whose work is publicly observable and which occasionally receives comments or complaints from citizens, might feel more liable to the public. The regular reminder to its members that their decisions affect citizens reduces the perceived distance between action and harm, and thus, limits moral wiggle room.

"Reciprocity" plays a key role in most social interactions and it also lies at the core of many corrupt practices. Reciprocity can function as a motivation or excuse for engaging in corruption or unethical behaviour. Hiding behind good intentions can deter people from admitting the actual moral implications of misconduct to themselves or others. Typical justification patterns include:

- **Self-serving altruism:** When someone else also benefits from misconduct, the other person's interest is used to justify the action in place of one's own. For example, helping a friend to get a job, overshadows the corrupt act, in this case, nepotism (Ayal, Gino, Barkan and Ariely, 2015).

- **Robin Hood logic:** A harm done to a stronger/powerful/richer entity is justified on the basis of a preference for equality.

- **Diffusion of responsibility:** When several people engage in misconduct, the chances of one individual speaking up against it are reduced. Each individual feels less responsibility for the action and does not want to limit the other person's freedom of choice or indicate their distrust (Moore and Gino, 2013).

More recent evidence from research into behavioural ethics confirms the relevance of social norms and identities for moral choices. If one person lies or cheats without facing consequences, this behaviour can spread among friends or colleagues (Gino and Bazerman, 2009). In particular, gradual divergences from an ethical behaviour tend to be more accepted by others, creating a slippery slope towards generalized dishonesty (Gino and Bazerman, 2009). A key factor in creating and strengthening behavioural norms is social identity (Akerlof and Kranton, 2011), defined as the role individuals assign to themselves in a group and the group in society. It is, therefore, important to establish ethical identity in organizations. A code of ethics can be used to emphasize ethical behaviour as a social norm.

In summary, ethical behaviour can be affected by changing the context in which people must make decisions and act: we can design contexts that help people avoid ethical risks, bring ethics to the top of people's minds, and motivate ethical behaviour.

Key principles of behaviour design are:

1. Making desired behaviour easy (remove barriers that make ethical actions harder than they need to be).

2. Protecting from risk (it is easy to underestimate ethical risks).

3. Designing to be better (no system is perfect, and one should not let perfection be the enemy of improvement).

A final note is that too much conversation about ethics focuses on unethical behaviour, rather than on positive examples of ethical conduct. An important component of designing a more ethical organization or society is to identify organizations or societies that seem to be having some success from an ethical perspective. A general overview of good practice in designing ethical public and private organizations can be found in other modules of the present module series, in particular, Module 11 (Business Integrity and Ethics), Module 13 (Public Integrity and Ethics) and Module 14 (Professional Ethics). Given the importance of positive examples, the present Module includes an exercise in which students choose and analyse their own case study of an ethical beacon, i.e. an organization or society that seems most ethical to them and that they might want to emulate (see Case study in the Exercises section). Lecturers are also encouraged to discuss concrete examples of organizations designing more ethical systems into everyday practices of hiring, promoting, rewarding, and monitoring. The Module also includes pre-class surveys (see Exercises section) which students could complete before taking the class, and which the lecturer could discuss during the class to illustrate important concepts of behavioural ethics.

Loewenstein's (1996) explains how behavioural decision theory helps us understand ethical decisions. Behavioural decision theory is commonly defined as the study of trade-offs that people make when deciding what to choose among the options available to them. For example, a person choosing which car to buy, may trade off a low price for one car against the well-respected brand name of the second car. Ethical decisions commonly involve trade-offs between the decision-maker's well-being (e.g., not risking losing a job for blowing the whistle) and that of others (e.g., creating harm to potential consumers by not stopping the production of an unsafe product). Thus, as suggested by Lowenstein (1996), by using behavioural decision theory we can better understand how people resolve ethical dilemmas and make ethical decisions. Similar to Lowenstein's (1996) arguments, Bazerman and Banaji (2004, p. 1150) noted "that efforts to improve ethical decision making are better aimed at understanding our psychological tendencies".

We concur with these views and suggest that understanding people's psychology when they face decisions in the ethics domain is fundamental to the understanding of why good people sometimes do bad things. Messick and Bazerman (1996) organized some of this early knowledge by identifying three types of theories that individuals use in making decisions: theories about the world, theories about other people, and theories about ourselves. Theories of the world dealt with the beliefs that we hold about the way the world works, expectations about causal networks in which we live, and the ways in which our choices influence the world around us. Theories of other people referred to beliefs that we have about how we are different from them. Finally, theories of ourselves dealt with the erroneous or unrealistic beliefs about ourselves that may cause us to take more than our fair share of the credit for success, or too little blame for failure. These theories also discussed how, we are often too confident that our theory of the world is the correct one. Using this framework, Messick and Bazerman (1996) identified research from social psychology that can inform us about these theories as we attempt to understand ethical decision making.

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Exercises and case studies

This section contains suggestions for in-class and pre-class educational exercises, while a post-class assignment for assessing student understanding of the Module is suggested in a separate section.

The exercises in this section are most appropriate for classes of up to 50 students, where students can be easily organized into small groups in which they discuss cases or conduct activities before group representatives provide feedback to the entire class. Although it is possible to have the same small group structure in large classes comprising a few hundred students, it is more challenging and the lecturer might wish to adapt facilitation techniques to ensure sufficient time for group discussions as well as providing feedback to the entire class. The easiest way to deal with the requirement for small group discussion in a large class is to ask students to discuss the issues with the four or five students sitting close to them. Given time limitations, not all groups will be able to provide feedback in each exercise. It is recommended that the lecturer makes random selections and tries to ensure that all groups get the opportunity to provide feedback at least once during the session. If time permits, the lecturer could facilitate a discussion in plenary after each group has provided feedback.

All exercises in this section are appropriate for both graduate and undergraduate students. However, as students' prior knowledge and exposure to these issues vary widely, decisions about appropriateness of exercises should be based on their educational and social context. The lecturer is encouraged to relate and connect each exercise to the key issues of the Module.

The first three exercises are surveys that could be completed as part of the class preparation process. Asking students to complete one or more of these surveys before attending the class will be helpful for illustrating some important concepts of behavioural ethics. The lecturer could capture the students' responses before the class begins. During the class, the lecturer could use data from the surveys to illustrate important concepts. Students should be able to discuss the meaning of these results, and remember them better, when they see the underlying concepts reflected in their own behaviour. An important part of behavioural ethics is the knowledge gained from behavioural science experiments. The pre-class surveys enable students to get a glimpse of how such experiments are conducted. Each survey could take up to thirty minutes to complete. The students should answer all questions as honestly and naturally as they can. There are no right or wrong answers, so students should not waste time looking for answers on the Internet or in other external sources. They should provide their best estimates and follow their intuitions. Their responses should remain completely confidential and anonymous. The lecturer should be the only person with access to the entire data set. Any data presented in class will be of aggregated responses, not individual responses.

The surveys are followed by one in-class exercise, in which students choose and analyse their own case study of an ethical beacon.

〉 Pre-class survey 1: Own versus others' behaviour

The survey is available in the annex.

Lecturer guidelines

A very reliable empirical result is that people tend to be self-righteous, believing that they are more ethical than others. Recent research has revealed that this effect is nuanced, such that people tend to be especially confident that they are not as unethical as others. That is, people tend to believe that they are less likely to engage in unethical behaviour than others, and may or may not believe they are more likely to engage in ethical behaviour. This matters because people tend to underestimate how likely they are to engage in unethical behaviour, and hence underestimate the danger of ethical risks and temptations in their own lives.

You can demonstrate self-righteousness by simply having people predict how likely they are to engage in a series of moral and immoral behaviours, compared to others in the class. This survey asks students to do so. Specifically, students are asked to predict how likely they are to engage in a series of 14 behaviours compared to others in the class. You can simply show to the class the average rating for each behaviour. You can also report the average rating for the seven moral behaviours and the seven immoral behaviours separately.

The questions in this survey are taken from Klein, Nadav and Nicholas Epley (2016). Maybe holier, but definitely less evil, than you: Bounded self-righteousness in social judgment. Journal of Personality and Social Psychology, vol. 110, pp. 660-674. An expanded explanation of this survey is provided in the 'Additional teaching tools' section of the Module.

〉 Pre-class survey 2: How much?

The survey is available in the annex.

Lecturer guidelines

This survey asks students to indicate how much they would need to be paid for performing a number of different actions. This survey reflects the existence of five different basic moral foundations, first proposed and identified by Jonathan Haidt and his colleagues. Although much of the existing research focuses on differences across people in the importance of these five basic moral foundations, there also exists a large degree of commonality across people. Although individuals may value some foundations more than others, almost everyone recognizes the importance of each foundation. Lecturers can show this simply through this survey, as students will likely say they need to be compensated more to perform the more extreme moral violation in each of these five pairs than to perform the less extreme version. Lecturers can report the class average for each item from the survey, or simply note that the average for the second act is higher across all five moral foundations than for the first act. If that proves not to be true in the results from that particular class, then the lecturers can talk about why that might be (being sure to note issues with small sample sizes as well, if they happen to have a small class).

This survey is based on experiments described in the following publications: Haidt, Jonathan (2012). The Righteous Mind: Why Good People are Divided by Politics and Religion. New York: Pantheon Books (see especially Chapter 7); Graham, Jesse, Jonathan Haidt and Brian A. Nosek (2009). Liberals and conservatives rely on different sets of moral foundations. Journal of Personality and Social Psychology, vol. 96, pp. 1029-1046. An expanded explanation of this survey is provided in the 'Additional teaching tools' section of the Module.

Pre-class survey 3: Investment adviser demonstration

The survey is available in the annex.

Lecturer guidelines

This demonstration illustrates the concept of ethical awareness by asking students to imagine that they are investment advisers who are considering four mutual funds, one of which (Fortitude Investments) is the Bernard Madoff feeder fund (the fund that was the largest Ponzi scheme in history, to date). Figure 1 shows the figure students see in the pre-class survey. S&P 500 or Standard & Poor's 500 refers to an American stock market index based on the market capitalization of 500 large companies.

Figure 1: Investment demonstration figure used in the pre-class survey.
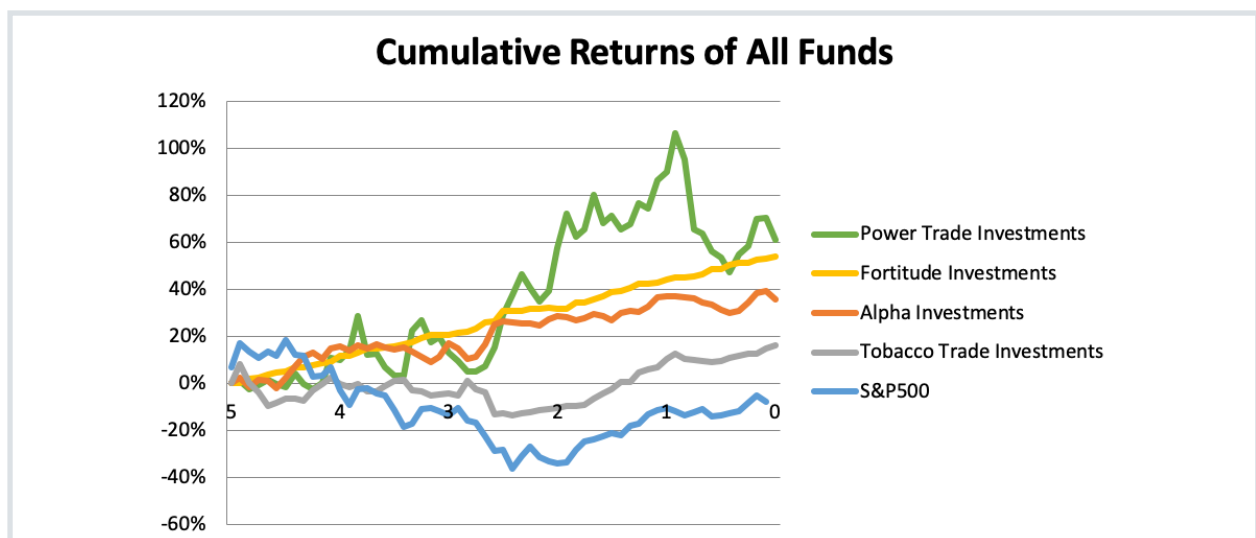
After viewing the performance of the four funds, students are asked to indicate which fund they would advise a client to invest in. They are also asked to indicate which fund they would invest their own money in. Students are then asked to indicate how suspicious, and potentially unethical, each fund seems.

Many students (often, the majority of students), will both recommend and personally invest in Fortitude Investments (what students recommend and what they invest in personally is usually similar, and students typically switch funds due to differences in risk preferences from their presumed client rather than due to ethical considerations). This is because the returns are steady, positive, and have little volatility over the period shown in the figure from the survey. However, Fortitude Investments is also a problematic fund to invest in. The results shown in the survey are actual returns on four different funds over a five-year period (in reality, from 2000 - 2005).

Fortitude Investments is actually the Bernie Madoff Feeder Fund, which was the largest Ponzi scheme run in human history so far. The actual returns of the Madoff fund from 2000 - 2009 are shown in Figure 2. The period to the left of the vertical line is what students are shown of this fund in the pre-class survey.

Figure 2: Actual performance of Fortitude Investments (The Madoff Feeder Fund) from 2000 - 2009, the point at which Madoff's fraud was discovered.
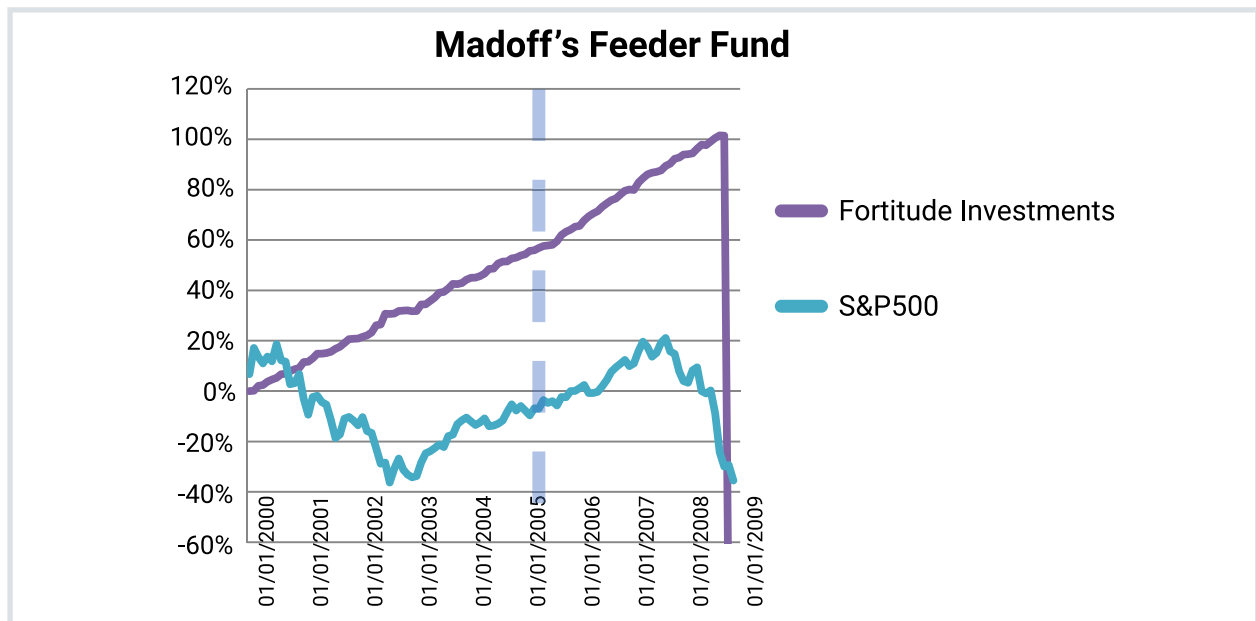
When Madoff was caught, many wondered why so many people invested in the Madoff fund. Part of the answer is that people behave ethically when ethics is considered at the very time a person is making a decision. If you are investing while thinking only about profits, returns, and minimizing volatility, without really thinking about ethics, then otherwise ethical people could end up providing unethical advice or investing in an unethical practice themselves. This illustrates the importance of ethical awareness when making decisions.

For this demonstration, you will want to report the percentage of your students who recommend each fund to their client, and also the percentage of those who choose to invest in it themselves. You can also report the average ratings of how suspicious and unethical the Madoff fund (Fortitude) seems. Typically, after making their investment decision, students will rate Fortitude Investments (the Madoff fund) as being less ethical than the other funds and more likely to be involved in suspicious activity, on average. You can use these ratings to point out that students are able to tell the difference between funds that look ethical and those that do not, but that that they might nevertheless choose to invest in an unethical fund simply because they were not thinking about these ethical considerations at the time they were making their investment decision.

This survey is based on the experiment discussed in Zhang, Ting, Pinar O. Fletcher, Francesca Gino and Max H. Bazerman others (2015). Reducing bounded ethicality: How to help individuals notice and avoid unethical behaviour. Organizational Dynamics, vol. 44, No. 4, pp. 310 - 317. An expanded explanation of this survey is provided in the 'Additional teaching tools' section of the Module.

> **Exercise:** Self Introspection; towards self improvement.

Unethical behaviour among individuals		
activity	Yes	No
• Misstating expenditure incurred to a partner or spouse		
• Making false statements about your whereabouts to your parents or authority figures		
• Borrowing from the petty cash drawer at work without necessary permission		
• Misrepresenting yourself and your achievements on your resume		
• Backbiting		
• Accepting credit for someone else's work		
• Copying schoolwork / university assignments off the internet		
• Using your position and influence at work to take advantage of someone else		
• Selling a house or a vehicle without disclosing its defects or history to the buyer		
• Mistreating house workers		
• Wasting food at home, at parties and at restaurants		
• Wasting water in our daily activities		
• Throwing litter wherever convenient and mostly not in dustbins		
• Not conserving electricity. Not switching off the lights when leaving the room		
• Damaging the environment		
• Not treating others with respect, especially if they are from lower income strata		
• Not following traffic rules		
• Damaging university property		
• Damaging state property		
• Giving lame excuses when deadlines are not met		
• Behaving rudely with parents		
• Not helping in household chores		
• Offering bribes to avoid long lines or lengthy procedures facilitate the process		

Lecturer guidelines:

Most of the time in Pakistan it has been observed that people are more focused towards bigger issues such as global politics, national politics, the lifestyle of the rich and powerful, materialistic ambitions and desires, what is wrong with the country or institution etc. The lecturer before conducting this exercise must emphasize on the need to look within rather than having an external locus of control. Most of the time we are worried about what we cannot change or influence. This table is about the small everyday behavioural nuances of life which are necessary to acknowledge and then change for the better.

The lecturer will ask the students to honestly undertake this exercise and then identify areas of improvement in their own lives. He/she will ask the students to short list 5 areas of self-improvement and then write solutions to the problems identified. The lecturer will invite a few students to share their analysis and solutions with the class. In the end, the lecturer will summarize the findings and motivate the students to have an internal ocus of control. The 2nd level of this exercise is to develop a similar framework for their Institution and repeat the exercise with the students. The 3rd level will be to develop a simple national framework and repeat the process.

In this way students will practically realize and demonstrate that change of behaviour is possible, if it is initiated from self and then transcends to a national or global level.

CASE STUDY 1: Ethical Beacon

Split the class into teams of 5 students. Ask half of the teams to think of a local organization or a local community that seems most ethical to them, while the rest of the teams should look for an international example. This would be an organization or community that is an ethical beacon which the students might want to emulate. Ask the students to focus specifically on what the organization or community undertakes to turn their ethical principles into daily practices, and discuss the following questions:

What is the organizational ethical beacon?
- How does the identified organization lead with ethical principles?
- How does this organization enact ethical principles in day-to-day practices (such as hiring, evaluation, compensation, policies etc OR way of life, community principles, way of conducting themselves with others, adherence to laws and regulations, self imposed disciplinary measures, code of ethics etc)?
- How do they respond to inevitable ethical failings?

Each team should develop a short presentation based upon their findings.

Lecturer guidelines

Too much conversation about ethics focuses on unethical behaviour. An important component of designing a more ethical life, organization, or society or community is to identify organizations or societies or communities that seem to be having some success. Of course, no person, organization, or society is perfect, but some consistently behave more ethically than others. The point of this exercise is to encourage students to appreciate how ethical organizations relate to their own lives, and to articulate what an ethical organization means in their own terms.

Students should feel free to select any example, but the lecturer could stimulate the students by providing some well-known examples from their region. The Lecturer should explain the questions with some random examples and make sure that the students have understood the task. The lecturer should be available to the Teams while they are executing the exercise and developing the presentations so that expert input can be provided, where needed. After every presentation there should be a 5 minutes question and answer session. At the end, the lecturer may summarise the session by identifying the common factors in the organizations and also the communities/societies. The lecturer may also ask the students to identify the way forward to make the university a more ethical and healthy institution and how society behaviours can be improved for the betterment of everyone.

CASE STUDY 2: Lessons from the past, for a better future.

Formulate teams with 5 students in each team. Divide the teams into category A and B. Ask the category A teams to select a local episode/scandal that seems the most unethical. This would be an organization and community that is identified as a benchmark in unethical behaviour, one that the students would not want to emulate. Category A teams may choose one [there should be no duplication] of the following:

- Mehrangate Scandal
- Khanani & Kalia International
- Double Shah Scam
- Axact Scandal
- Taj Company scandal
- OMNI group debacle
- Bank of Punjab Scandal

Ask the students to focus specifically on the organizational unethical practices, and discuss the following questions:

- What are the unethical practices in the selected example?
- How did they deceive the community at large?
- What was the extent of damage done by them?
- How did the regulatory authorities identify the fraud/scandal and what measures were implemented to stop such unethical practices?
- What are the lessons learnt from this scandal?
- How can it be ensured that we do not get entrapped into such situations?

Similarly, ask the category B teams to identify an international organization or scandal that seems most unethical to them. Category B teams may choose one [there should be no duplication] of the following:

- Enron
- Ponzi Scheme of Modoff
- Murdoch Newspaper Scandal
- Volkswagen Emission Scandal
- Uber Scandal
- Tobacco Companies unethical practices [BAT episode]

They will repeat all the activities enumerated above for the category A teams and also discuss the aforementioned questions in the exercise. Both category A and B teams will develop short presentations based upon their discussions.

An important aspect of adapting a more ethical life, organization, society or community, is to identify organizations, societies or communities that have been unethical and learn from their follies and mishaps. The point of this exercise is to encourage students to comprehend how unethical organizations fall into the abyss of notoriety and get vanquished due to short-sightedness, immorality, short-cuts and greed. Students should feel free to select any example, but the lecturer should stimulate the students by providing some well-known examples from their region. The lecturer should also explain the questions with some random examples and make sure that the students have understood the task. The lecturer should be available to the Teams while they are executing the exercise and developing the presentations so that expert input can be provided where needed. After every presentation there should be a 5 minutes question and answer session. At the end, the lecturer may summarize the session by identifying the common factors in the organizations . The lecturer may also ask the students to identify the way forward in regulating organizations and society, ensuring such scandals do not recur in future.

CASE STUDY 3: Iceberg Effect and Cliquism in Trendsetters ABC Limited:

The iceberg effect in organizations are the underlying factors and circumstances which are not visible and have organizational implications due to strong under currents. When combined with cliquism, it can undermine an organization or a community. This is a challenge faced around the world in different forms and leads to corporate disasters. In Pakistan due to cultural nuances it has even greater consequences.

Trendsetters ABC Limited was a start up with a progressive vision and financially resourceful BOD who wanted to emerge as a market leader within the shortest possible timeframe. The initial core team comprised primarily of young, competent females and an aggressive Chief Executive Officer who believed in achieving the impossible and driving the whole team forward. However, there was a strong disconnect between the core team and the functional team of Trendsetters Limited and therefore after a year of operations, the BOD decided to hire an experienced Chief Operating Officer to manage the operations of the organization.

Through a comprehensive selection process, they identified and selected Zaheer Ahmed as the new Chief Operating Officer of Trendsetters Limited. Zaheer came with strong credentials of being a mover and shaker, starting organizations from scratch and building teams towards high performance. He believed in hands on leadership and setting achievable targets, so that the rest of the team would emulate and move forward . The BOD while hiring Zaheer Ahmed assured him of full independence and directed the CEO Anjum Rana to play a strategic role in Trendsetters, while giving her a few other tasks to accomplish for the Corporate Group.

Within a few weeks of joining Trendsetters, Zaheer realized that there were strong negative undercurrents within the organization and invisible turf disputes between the key managers. This situation was exacerbated with the visible animosity of CEO Anjum Rana, because she considered Zaheer Ahmed to be an unnecessary addition to Trendsetters and an encroachment on her authority and independence.

Zaheer Ahmed with over 25 years of practical experience and facing similar situations, immediately initiated team building exercises and forging the two disparate groups within Trendsetters. He even conducted a detailed meeting with Anjum and expressed his commitment to work under her supervision and accommodate all her merit oriented and judicious demands and directives. He reiterated that all his communication to key managers would be routed to Anjum for taking her input in different organizational matters. He initiated empowering the chief officers team of Trendsetters so that operations could expand as per the guidelines of the BOD and enhanced the authority of the chief officers so that they could take independent decisions.

This approach was not endorsed by Anjum and her clique of 3 senior managers. It seemed as if authority was being taken from them and they were not wielding the organizational wand of power. Despite repeated endeavours, Zaheer Ahmed could not break the ice. The clique under the leadership of Anjum Rana began a clandestine process of undermining Zaheer and jeopardizing all the initiatives rolled out to take Trendsetters to the next level.

The 3 senior managers stopped reporting to Zaheer Ahmed and would directly report to Anjum Rana, they would delay task completion with the excuse that they were executing a task given by Anjum Rana, they would not follow organizational regulations on the pretext that Anjum had exempted them from such procedures etc. Anjum Rana on the other hand kept on breaking the chain of command and directly without intimation to Zaheer, gave directions to the functional tiers, which resulted in confusion and non-compliance.

Zaheer after many attempts to placate Anjum, discussed the issue with the BOD and he was given assurances that this situation would be managed and Anjum would abstain from interference. However, due to the strong relationship between Anjum and the Chairman of Trendsetters, the status quo continued and the affairs of the organization deteriorated. The Clique left no stone unturned to undermine and jeopardize the working of Zaheer Ahmed. They intentionally delayed the critical hiring of new employees and also started compromising the activities of the other senior staff. This created immense demotivation in the remaining senior staff and Zaheer again went to the Board for intervening in the issue or to accept his resignation. For some time, things improved because the BOD realized the implications and gave direct command and executive authority to Zaheer. This further aggravated the temperament of Anjum. She along with her 3 senior managers hatched a conspiracy whereby one of the senior managers falsely implicated that Zaheer Ahmed had sexually harassed her. This erupted into a major controversy and after a sequence of events, Zaheer Ahmed left the organization. In disgust, 4 other senior managers who were not from the Anjum Clique, also resigned.

Zaheer had to go through cumbersome legal procedures, struggling for his honour and integrity. Finally, after many months it was established that there was no incidence of sexual harassment and neither was there any other administrative issue—it was just organizational politics. Trendsetters ABC Limited with a vision to be a market leader had drastically fallen below its previous levels of performance and productivity. Anjum Rana and her clique also left the organization. Trendsetters BOD got shuffled and is aspiring to revive Trendsetters as a progressive organization.

Discussion questions for students:

- Identify the main behavioural issues related to the Trendsetters Limited Case study?

- Why was Anjum Rana insecure? How could the BOD alleviate the insecurity of Anjum Rana?

- What should the BOD have implemented to avoid this situation?

- What should Zaheer Ahmed have done differently, to manage this iceberg effect and Cliquism? What were the remedies in this situation?

- Which behavioural models can be applied to this case study?

- Identify the unethical issues prevalent in Trendsetters Limited?

- What are the lessons learnt from this case study? How should managers neutralize the iceberg effect in any organization?

- What should the BOD of Trendsetters decide for the future growth of the organization?

Lecturer guidelines

Give students 30 minutes to read the short case and prepare individual answers to all the questions. Have students discuss their answers in small groups and elect a spokesperson to provide feedback to the plenary group. Ask the group spokespersons to provide feedback. Summerise by explaining the options, and highlighting how the application of different ethical theories might lead to different actions or solutions.

Possible class structure

This section contains recommendations for a teaching sequence and timing intended to achieve learning outcomes through six hours of contact sessions (classes, workshops, etc.). The lecturer may wish to disregard or shorten some of the segments below in order to give more time to other elements, including introduction, icebreakers, conclusion or short breaks. The structure could also be adapted for shorter or longer classes, given that the class durations vary across countries.

Class overview (15 min)

- Introduction to the idea that behavioural ethics focuses on understanding the psychological causes of ethical and unethical behaviour. Changing ethical behaviour requires knowing its psychological causes.

- Introduction to "myths" of morality: Common intuition routinely misunderstands these causes, providing oversimplified assessments of ethical behaviour that overlook important causes, and impede our ability to change ethical behaviour.

Four myths about morality (45 min)

- Present common intuitions about the causes of ethical behaviour that oversimplify reality.
- Present results of pre-class surveys, if used.
- Emphasize that common intuition suggests that morality is primarily a belief problem. Behavioural science demonstrates that morality is influenced by the context people are in, not just by the type of people they are, and this contextual influence is more powerful than people generally expect. Ethics can therefore be thought of as a design problem, rather than just as a belief problem.

Ethics as a design problem (30 min)

- You can change ethical behaviour by changing the context people are in. You can change ethical behaviour by designing contexts that help people avoid ethical risks, bring ethics to the top of people's minds, and motivate ethical behaviour.

- Key principles of behaviour design:

  1. Make desired behaviour easy (remove barriers that make ethical actions harder than they need to be)
  2. Protection from risk (it is easy to underestimate ethical risks)
  3. Design to be better (no system is perfect, and one should not let perfect be the enemy of improvement)

Ethics, by design (30 min)

- Distinguish the language of beliefs versus design: begin by talking about how to treat ethics as problem of design rather than simply as a problem of beliefs.

- Note that current compliance programmes often implicitly focus on beliefs and values of employees. The challenge is that companies may say the right things but not put them into practice.

- Lecturers could refer to the Enron mission statement, including a fictitious and intentionally humorous rendition that is closer to Enron's actual behaviour.

- Explain that encouraging ethics through design focuses on a person's attention, motivation, and norms.

Turning principles into practice (30 min)

- Present two basic steps for turning principles into practice:

  1. Articulating principles: mission statements must be memorable, actionable, and focused on unique core attributes.

  2. Enacting principles: create norms that guide action.

- Stress the two primary problems of turning principles into daily practices. The first is ethical unawareness: principles guide behaviour only when thinking about them. Second, actions guide behaviour more than articulated principles and words.

- Discuss the investment advisor demonstration from Exercise 3 as an illustration of ethical (un) awareness.

Case study: your ethical beacon (60 min)

- Give students five minutes to discuss their ethical beacon with the person sitting next to them.

- Discuss the following questions with the class:

  1. What was your ethical beacon?
  2. How do they lead with ethical principles?
  3. How do they enact principles in day-to-day practices (such as hiring, evaluation, compensation, or policies)?
  4. How do they respond to inevitable ethical failings?

Designing a more ethical organization (60 min)

- Discuss concrete examples of organizations designing more ethical systems into everyday practices of hiring, promoting, rewarding, and monitoring.

- Discuss the case study on Iceberg Effect and Cliquism in Trendsetters ABC Limited. (60 mins)

- Follow the lecturer notes and give ample time for the students to understand the case study.

Conclusion (30 min)

- End with summary of the session, and a framework for remembering the most important psychological dimensions to keep in mind when designing a more ethical system.

Core reading

This section provides a list of materials that the lecturer could ask the students to read before taking a class based on this Module.

Al-Aidaros, A., Shamsudin, F. M., & Idris, K. M. (2013). Ethics and ethical theories from an Islamic perspective. International Journal of Islamic Thought, 4, 1–13.

Bazerman, Max H. and Ann E. Tenbrunsel (2012). Blind Spots: Why We Fail to Do What's Right and What to Do about It. Princeton, NJ: Princeton University Press.
   » See especially Chapters 1-4.

Epley, Nicholas and David Tannenbaum (in press). Treating ethics as a design problem. Behavioral Science and Policy.

Haidt, Jonathan (2012). The Righteous Mind: Why Good People are Divided by Politics and Religion. New York: Pantheon Books.
   » See especially Chapters 1-4.

Question in Islam. (2009). High Ethics and Good Manners of Harzat Muhammad (PBUH).
   » Retrieved from https://questionsonislam.com/article/8-high-ethics-and-good-manners-hazrat-muhammad

Steven Pinker (2008). The moral instinct. The New York Times, 13 Jan.
   » Retrieved from http://www.nytimes.com/2008/01/13/magazine/13Psychology-t.html?mcubz=3.

Advanced reading

The following readings are recommended for students interested in exploring the topics of this Module in more detail, and for lecturers teaching the Module:

Adam Waytz, James Dungan, and Liane Young (2013). The whistleblower's quandary. The New York Times, 2 Aug.
» An analysis of psychological barriers to whistle-blowing, or speaking up about unethical behaviour Retrieved from https://www.nytimes.com/2013/08/04/opinion/sunday/the-whistle-blowers-quandary.html

Ariely, Dan (2013). The Honest Truth about Dishonesty: How We Lie to Everyone – Especially Ourselves. New York: Harper Collins Publishers.
» How context can affect integrity and honesty.

Bazerman, Max H. and Ann E. Tenbrunsel (2012). Blind Spots: Why We Fail to Do What's Right and What to Do about It. Princeton, NJ: Princeton University Press.
» Additional reading in Chapters 5-8.

DeSteno, Daniel & Piercarlo Valdesolo (2011). Out of Character: Surprising Truths about the Liar, Cheat, Sinner (and Saint) Lurking in All of Us. New York: Three Rivers Press.
» The surprising power of context to influence ethical behaviour.

Epley, Nicholas (2014). Mindwise: How We Understand What Others Think, Believe, Feel, and Want. New York: Vintage.
» See especially Chapter 3 for an explanation of how psychological distance can encourage unethical behaviour. An excerpt from this book is retrieved from https://www.salon com/2014/03/02/the_psychology_of_hate_how_we_deny_human_beings_their_humanity/.

Grant, Adam (2011). How customers can rally your troops. Harvard Business Review, June.
» An argument for using pro-social incentives of meaning and purpose to effectively motivate employees. Retrieved from https://hbr.org/2011/06/how-customers-can-rally-your-troops.

Haidt, Jonathan (2012). The Righteous Mind: Why Good People are Divided by Politics and Religion. New York: Pantheon Books.
» Additional reading in Chapters 5-12.

Human Rights Watch (2019). No Room to Bargain: Unfair and Abusive Labor Practices in Pakistan.
» Retrieved from https://www.hrw.org/report/2019/01/24/no-room-bargain/unfair-and-abusive-labor-practices-pakistan

Mclean, Bethany and Peter Elkind (2003). The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron. New York: Portfolio Trade.

Murtaza, G., Abbas, M., Raja, U., Roques, O., Khalid, A., & Mushtaq, R. (2016). Impact of Islamic Work Ethics on Organizational Citizenship Behaviors and Knowledge-Sharing Behaviors. Journal of Business Ethics, 133(2), 325-333.

OECD. (2013) What are the social benefits of education? Education Indicators in Focus, No. 10, OECD Publishing.

Soomro, Manzoor H. and Tanveer, Saima H. (2017). Ethics and Education in Pakistan: Principles, Polices and Practice.

Yueqin, Liu (2011). The Coordination Function of Islamic Ethics in Transforming Islamic Societies. Journal of Middle Eastern and Islamic Studies (in Asia), vol. 5, issue 3, pp. 17-36.

Student assessment

This section provides a suggestion for a post-class assignment for the purpose of assessing student understanding of the Module. Suggestions for pre-class or in-class assignments are provided in the Exercises section.

To assess the students' understanding of the Module, it is recommended to ask students to submit a written assignment of approximately 1500 words based on the class discussion on identifying an ethical beacon. Students can use the same example or select a new one based on insights gained during the module delivery.

They should provide written answers to the following questions:
1. What was your ethical beacon?
2. How do they lead with ethical principles?
3. How do they enact principles in day-to-day practices (such as hiring, evaluation, compensation, or policies)?
4. How do they respond to inevitable ethical failings?

Additional teaching tools

This section includes links to relevant teaching aides such as PowerPoint slides and video material that could help the lecturer teach the issues covered by the Module. Lecturers can adapt the slides to their needs.

⟩ PowerPoint presentation

» Module 8 Presentation on Behavioural Ethics (from the E4J module)

⟩ Video material

Many documentaries and podcasts can serve as excellent case studies for discussion that can be added to a longer version of this Module. Since case studies are often anecdotal they are not always helpful within a behavioural science context. However, the following are excellent companions to this Module:

Ponzi Supernova. Episode from Radiolab, a programme from National Public Radio. This podcast includes interviews with Bernie Madoff, and serves as an excellent case study in ethical awareness.
   » Available from http://www.radiolab.org/story/radiolab-presents-ponzi-supernova/.

Enron: The Smartest Guys in the Room. This video documentary on Enron is an excellent case study in how to design an unethical organization.
   » Available from https://freedocumentaries.org/documentary/enron-the-smartest-guys-in-the-room.

Inside Job. This is an excellent documentary on the financial crisis of 2008 - 2009. It can be used to discuss conflicts of interest, and problems with financial incentives that encourage unethical action. It currently needs to be purchased in order to be viewed.
   » Available from http://www.imdb.com/title/tt1645089/.

Behavioral Ethics in Business and Leadership. by Markkula Center for Applied Ethics.
   » Available from https://www.youtube.com/watch?v=Q7pOX5u9ylw

Morality, Ethics and Human Behavior by Gregg Learning.
   » Available from https://www.youtube.com/watch?v=RfLqzSgcktM

Guidelines to develop a stand-alone course

This Module provides an outline for a three-hour class, but there is potential to develop its topics further into a stand-alone course. The scope and structure of such a course will be determined by the specific needs of each context, but a possible structure is presented here as a suggestion.

Session	Topic	Brief description
1	Ethics, by design	Introduction to course, raising the question of whether the three senses of a "good life" are aligned with each other or are in competition. Does doing good lead to doing well in business (does ethics pay?)? The first half of this lecture presents the evidence of how ethics is positively related to business success in the long run (not necessarily in the short run). It makes the case that the primary practical argument for ethics in business (and society) is for sustainability. Ethical systems last whereas unethical and corrupt systems, for a variety of reasons, succeed only in the very short term. The second half of this lecture presents the four myths of morality and introduces ethics as a design problem, rather than as a belief problem.
2	Ethical awareness	Explains how good people can do bad things when ethics are not on the top of their minds. One key to encouraging ethical behaviour is to make sure that people's ethical beliefs are chronically salient.
3	Conflicted interests	Describes the psychological processes that operate in conflicts of interests. These processes operate outside of conscious awareness, and so people are not aware of how their own judgment is being corrupted. Discusses research demonstrating that disclosure does not eliminate problems with conflicts of interest. Only avoiding the conflicts in the first place eliminates the problems they cause.
4	Moral courage: speaking truth to power	Why do people who observe unethical behaviour fail to speak up and call it out? This lecture discusses the psychology of whistle-blowing and describes what insights it provides for enabling people to report unethical behaviour when they see it.

Session	Topic	Brief description
5	Incentives	Aligning financial incentives with ethical goals is an obvious and intuitive solution to some unethical behaviour, but it is incomplete. Pro-social incentives can also be introduced into one's personal life, in organizations, and in societies to encourage ethical behaviour directly. The benefit of using pro-social incentives is that they are cheap, and surprisingly effective.
6	Power, status, and ethics	Describes behavioural science research about the effect of power and status on ethical behaviour. Power does not corrupt, as the famous quote from John Dalberg-Acton goes, but rather it reveals a person's motives and intentions. Status, however, seems to distance people from others, and in so doing can increase unethical behaviour. Focuses on how to guard organizations and societies from the ethical risks that can arise from both power and status.
7	Ethical cultures, by design	Describes the power of social norms to influence behaviour, meaning that social norms are also a key component of designing an ethical life, organization, or society. Tone at the top is far from sufficient. This session then puts pieces of the course discussed to this point together into understanding how one might design an ethical organization, focusing on the key levers of behavioural change (hiring, promoting, rewarding, and monitoring). Students are asked to think of an ethical beacon (a company that they perceive to be relatively ethical), and these examples (along with others from the instructor) are discussed.
8	Reputation	Ethical behaviour is often rewarded and punished through the reputation a person, organization, or society forms. This lecture focuses on how reputations are formed, how morality is one of the two key components of reputational inferences, and addresses how to manage one's reputation when a moral failing occurs.

Session	Topic	Brief description
9	Hedonics	This lecture addresses whether being good (i.e., ethical) is aligned with feeling good. Is being ethical aligned with being happy? Describes surprising research from behavioural science about how doing good for others increases well-being more than people expect, and explains why doing good can lead to feeling good (which also identifies when doing good might NOT lead to feeling good). Students do random acts of kindness, and write gratitude letters, as class exercises to experience the effects for themselves.
10	Values, habits, and character	The key to creating character is behaving routinely in ways that are consistent with your values. This lecture describes how to design contexts in ways that create good habits, describes how long this is likely to take, and explains how this can be used to build character. Creating stable contexts that encourage ethical behaviour can create a more ethical personality (or character).

Annex: Pre-class surveys

> Pre-class survey 1: own versus others' behaviour

The questions in this survey are taken from Klein, Nadav and Nicholas Epley (2016). Maybe holier, but definitely less evil, than you: Bounded self-righteousness in social judgment. Journal of Personality and Social Psychology, vol. 110, pp. 660-674.

This survey refers to a number of behaviours in which people might engage. Please read each of these behaviours carefully and then give your judgment about whether you are more or less likely to engage in each behaviour compared to the average student in the class.

For example, one behaviour might be: "arrive to class on time". Your task is to state whether you believe that you are more likely to arrive to class on time than the average student in the class, or whether the average student in the class is more likely to arrive on time than you, by circling the number that best corresponds to your evaluation on the scale below.

-3	-2	-1	0	1	2	3
Others much more likely to do this than me	Others more likely to do this than me	Others slightly more likely to do this than me	No more or less likely to do this than others	I am slightly more likely to do this than others	I am more likely to do this than others	I am much more likely to do this than others

Please evaluate each of the following behaviours carefully. Do you believe that you are more likely to do this than other people or that other people are more likely to do this than you?

Please circle the number that best corresponds to your estimate.

Behaviour	-3	-2	-1	0	1	2	3
Stop to help someone with a flat tire							
Donate blood when asked to do so							
Return a lost wallet you found to the police, leaving the significant amount of cash inside of it untouched							
Spend a Sunday volunteering in a soup kitchen							
Tell a professor that he or she had incorrectly marked your final exam and gave you too high a grade							
Return $20 you had been incorrectly given as change after making a small purchase							
Buy food for a homeless person standing outside of a grocery store							
Take advantage of a person who does not know the value of a product and sell it to them at an inflated price							
Rush to take the last seat on a crowded bus ahead of an elderly lady							
Find a $20 tip left for the waiter in a restaurant and take the money for yourself							
Crash into a parked car and drive off without leaving a note							
Lie to your co-workers to increase the chances that you will get a promotion rather than them							
Offer your help in the future while knowing that you do not intend to fulfil the promise when the time comes							
Engage in an extra-marital affair							

⟩ Pre-class survey 2: how much?

This survey is based on experiments described in the following publications: Haidt, Jonathan (2012). The Righteous Mind: Why Good People are Divided by Politics and Religion. New York: Pantheon Books (see especially Chapter 7); Graham, Jesse, Jonathan Haidt and Brian A. Nosek (2009). Liberals and conservatives rely on different sets of moral foundations. Journal of Personality and Social Psychology, vol. 96, pp. 1029-1046.

How much would someone have to pay you to perform each of the following actions? Assume that you'd be paid secretly and that there would be no social, legal, or other harmful consequences to you afterward. Answer by typing a number from 0 to 4 under each action, where:

0 = $0, I'd do it for free
1 = $100
2 = $10,000
3 = $1,000,000
4 = I would not do this for any amount of money

	Write in 0, 1, 2, 3, or 4 next to each action to indicate how much you need to be paid to perform each action.
1a. Stick a pin into your palm.	
1b. Stick a pin into the palm of a child you don't know.	
2a. Accept a plasma-screen television that a friend of yours wants to give you. You know that the friend got the TV a year ago when the company that made it sent it to your friend, by mistake and at no charge.	
2b. Accept a plasma-screen television that a friend of yours wants to give you. You know that your friend bought the TV a year ago from a thief who had stolen it from a wealthy family.	

	Write in 0, 1, 2, 3, or 4 next to each action to indicate how much you need to be paid to perform each action.
3a. Say something critical about your nation (which you believe to be true) while calling in, anonymously, to a talk-radio show in your nation.	
3b. Say something critical about your nation (which you believe to be true) while calling in, anonymously, to a talk-radio show in a foreign nation.	
4a. Slap a male friend in the face (with his permission) as part of a comedy skit.	
4b. Slap your father in the face (with his permission) as part of a comedy skit.	
5a. Attend a short avant-garde play in which the actors act like fools for 30 minutes, including failing to solve simple problems and falling down repeatedly on stage.	

⟩ Pre-class survey 3: investment decisions simulation

This survey is based on the experiment discussed in Zhang, Ting, Pinar O. Fletcher, Francesca Gino and Max H. Bazerman (2015). Reducing bounded ethicality: How to help individuals notice and avoid unethical behaviour. Organizational Dynamics, vol. 44, No. 4, pp. 310-317.

Role Description

Your role in this simulation is to be an investment advisor. As an investment adviser, your job entails managing funds and making investment recommendations for your clients. You currently manage a portfolio of $10,000,000.

Imagine that a new client has come to you for your advice on an investment decision. Your client is a professional that has a solid income and has recently received a $75,000 bonus, which he intends to put in a portfolio of investments for the next two years, when the returns will be cashed. Your client does not have any investments currently.

The client has sent you the following note: "I have recently received $75,000, and would ideally like to invest in one of the four funds that I am considering. I am particularly interested in Fortitude Investments which has been performing very well and consistently above market. Which fund would you recommend?"

Fund Information

The four funds you are considering for your client are shown in the following graphs, with the first graph showing their cumulative returns. The data provided are real, although the provided fund names and dates are fictitious. The graphs are followed by a questionnaire you should complete before class.

Definition of Terms

S&P 500: The Standard & Poor's 500 refers to an American stock market index based on the market capitalizations of 500 large companies.
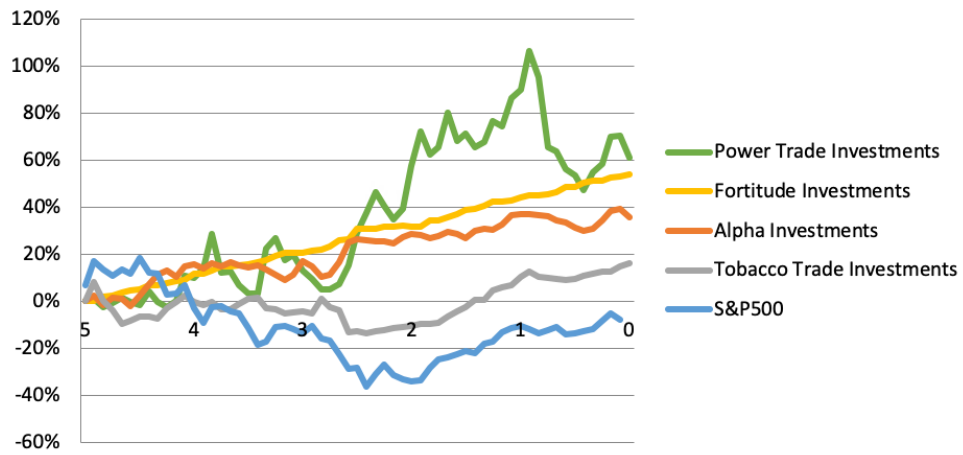
Annual Return: The percentage change in price of the fund over the course of the year. For example, if you invest $10 in a company and that investment is worth $15 a year from now your annual return would be 50% (i.e. (15-10)/10)).
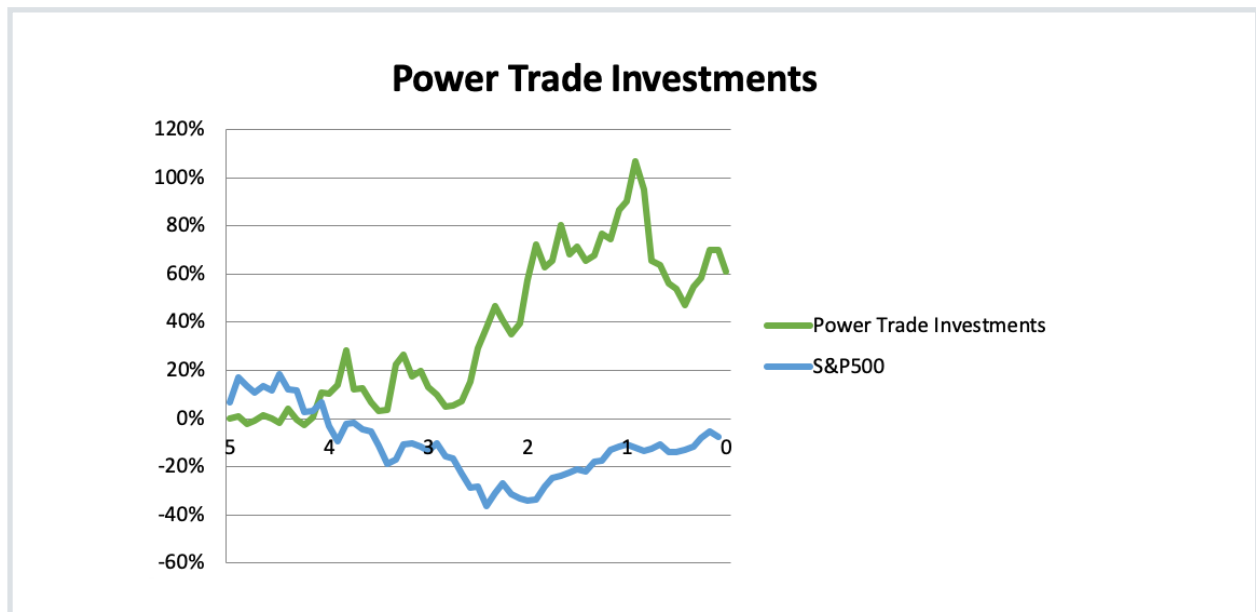
Volatility: This is a measure of how much and how quickly the price of an investment changes within a given period of time, often used as a measure of risk.

Risk-Adjusted Return: This is a measure that explains how much you would get beyond investing in the S&P 500 for the amount of risk that is associated with the fund. The greater a portfolio's risk-adjusted return, the better the fund in terms of the amount of returns you receive, factoring in the amount of risk that you are taking to get those excess returns.
Risk adjusted return = (Returns beyond S&P 500)/Volatility

Cumulative Returns of All Funds

Legend:
- Power Trade Investments
- Fortitude Investments
- Alpha Investments
- Tobacco Trade Investments
- S&P500

Power Trade Investments

Risk-adjusted return*: 0.42
Five-year cumulative returns: 16.02%
Average monthly returns: 0.40%
Volatility: 2.99%
S&P 500 five-year cumulative returns: -7.69%
S&P 500 average monthly returns: -0.25%
S&P 500 volatility: 4.68%
*With S&P 500 as benchmark

Office location:
Our offices are located at: Ten Corporate Street Rye, NY 10580

Mission statement:
To earn a superior risk-adjusted return for our investors over the long-term by providing value-added products. By earning returns for our investors, we will be earning returns for all our stakeholders.

Investment strategy:
We have initiated positions in companies which operate in fairly good sectors but have been sold down over the past year and are now trading at attractive valuations. The main sector is in the tobacco industry. As long as their cash-flow is positive, balance sheet is strong and dividends are paid, we are happy to be investors in such companies.

How do investors get into fund:
Our investors typically contact hedge fund brokers.

Information on how Tobacco Investments is audited:
Tobacco Trade Fund uses the services of DP Associates LLP. DP Associates is a well-respected auditing firm that has been auditing clients for the last 51 years — it has 48 clients across the U.S.

Power Trade Investments
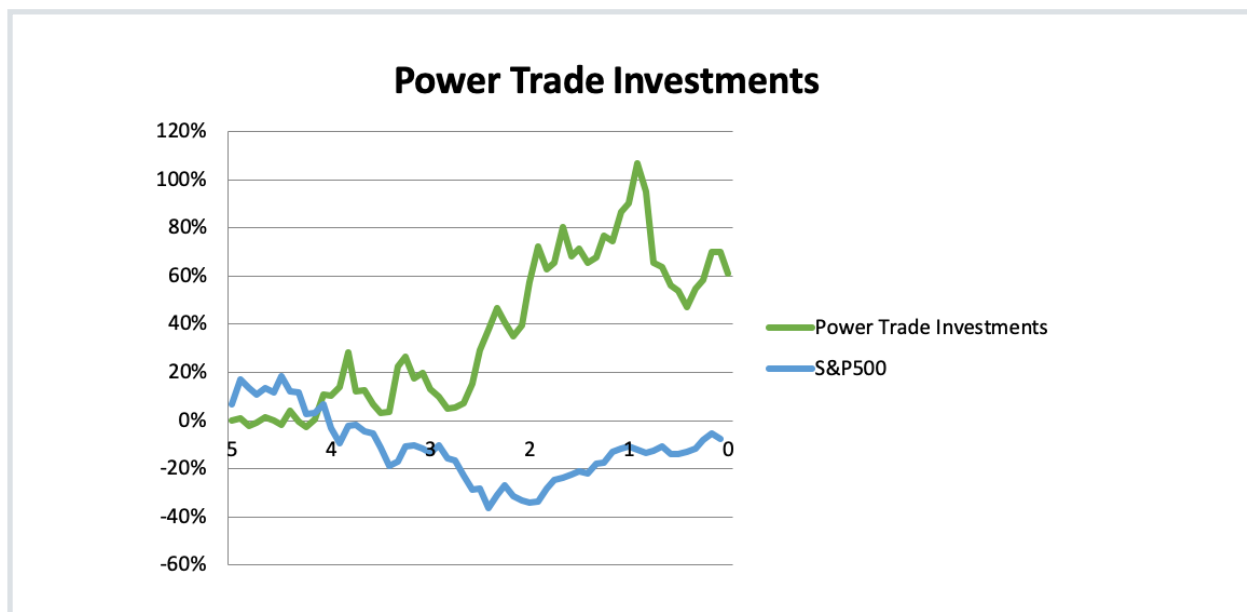
Risk-adjusted return: 0.46
Five-year cumulative returns: 61.20%
Average monthly returns: 0.93%
Volatility: 6.22%
S&P 500 five-year cumulative returns: -7.69%
S&P 500 average monthly returns: -0.25%
S&P 500 volatility: 4.68%

Office location:
1 New York Plaza, 54th Floor New York, NY 10004

Mission statement:
Our mission is to compete in every market in the world, combining insight and technology to profit and make the markets more efficient; to recruit the most capable people and train them to the highest standard; and to foster openness, communication and idea sharing.

Investment strategy:
Our trend-following portfolio consists of more than 200 funds in different market sectors. Markets are selected to represent a geographically balanced portfolio across different asset classes, with liquidity being the main focus. If the target exposure changes, open positions are reshuffled in order to keep trade risk constant.

How do investors get into funding:
Investors typically find us through hedge fund databases, and have their brokers contact our managers.

Information on how Power Trade Investments is audited:
Power Trade has used P&F Audit Company for auditing purposes. P&F Audit Company is a global auditing firm that has been serving 124 clients for the last 72 years and has 20 offices globally.
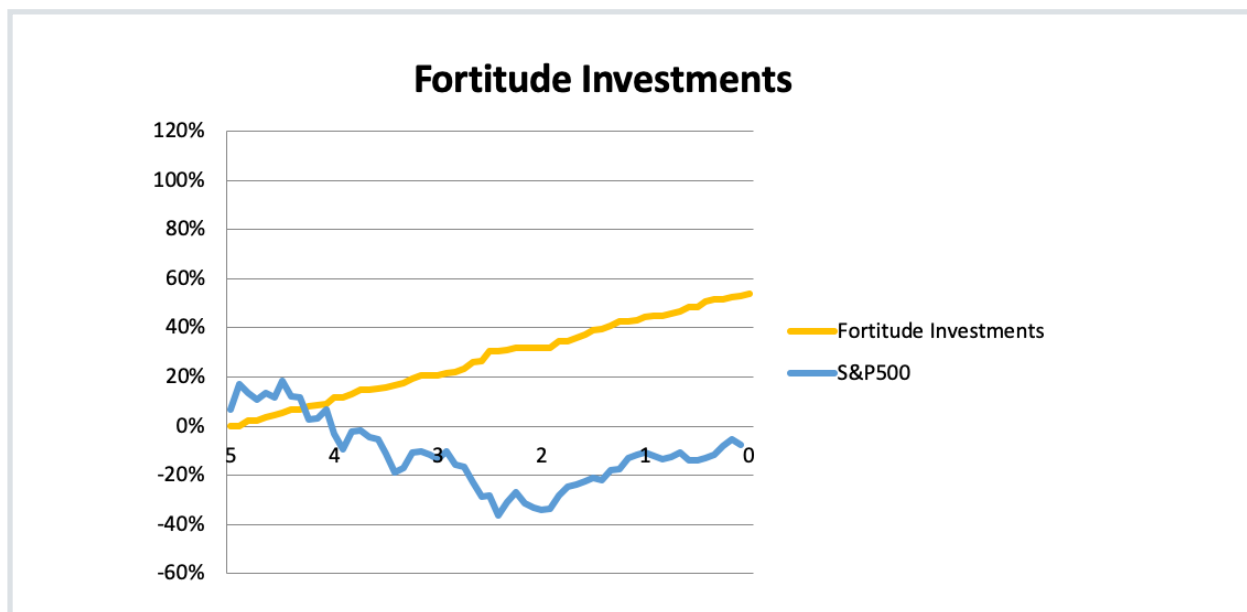
Risk-adjusted Return: 0.75

Five-year cumulative returns: 53.81%

Average monthly returns: 0.75%

Volatility: 0.71%

S&P 500 five-year cumulative returns: -7.69%

S&P 500 average monthly returns: -0.25%

S&P 500 volatility: 4.68%

Office location:

523 Park Avenue New York, New York 10022

Mission statement:

Our success is driven by three fundamental ideas: 1) Seek and hire the most brilliant and talented people we can find; 2) Reward those people based on merit; 3) Remain on the leading edge of innovation in investing.

Investment strategy:

Because our investment strategy is private, we cannot disclose any information at this time.

How do investors get into funding:

We are selective in our investors and make sure that these investments are in line with their individual strategies. As a result, typical investors we do not know cannot invest with us. However, as an adviser, we will open these investments to your clients, especially those who are interested in investing their money with us long-term.

Information on how Fortitude Investments is audited:

Fortitude uses SA & Associates, CPA for their auditing purposes. SA & Associates was established 15 years ago. The chief auditor was formerly a VP at Fortitude Investments.

Alpha Investments
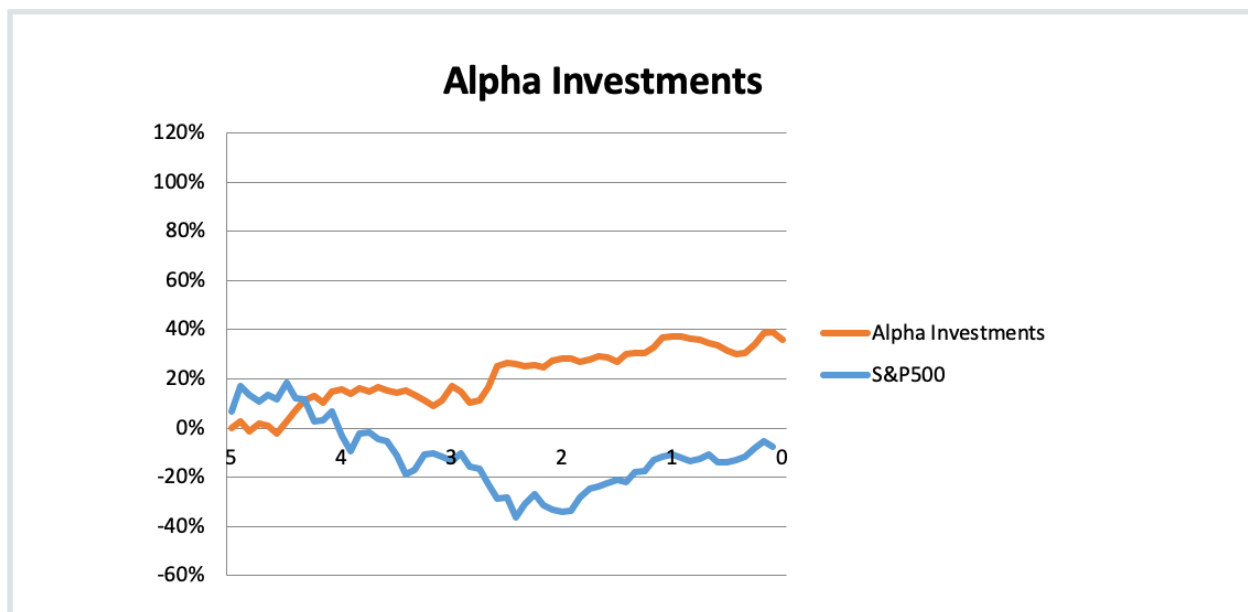
Risk-adjusted return: 0.54
Five-year cumulative returns: 36.81%
Average monthly returns: 0.61%
Volatility: 2.37%
S&P 500 five-year cumulative returns: -7.69%
S&P 500 average monthly returns: -0.25%
S&P 500 volatility: 4.68%

Office location:
400 W Chicago Ave. Suite 734 Chicago, IL 60654

Mission statement:
We seek to deliver superior investment performance for our clients and to develop a broad array of superior investment products.

Investment Strategy:
We use strategies that hedge out most market risk by taking offsetting positions, often in different securities of the same issuer. For example, we find the optimal combination of bonds and equity to create stable, low risk investments.

How do investors get into funding:
Our investors contact us via their hedge fund consultants or brokers.

Information on how Alpha Investments is audited:
Alpha utilizes the auditing services of RK Partners CPA Co. RK Partners is a fast-growing auditing firm that began serving international clients 7 years ago and has since developed a client base of 12 firms in Europe and 30 firms in the US.

Questions

1. Which fund would you recommend to your client? (Circle one)

Tobacco Trade Fund

Power Trade Investments

Fortitude Investments

Alpha Investments

2. Please explain why you made this selection for your client.

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3. Which fund would you select for your own portfolio? (Circle one)

Tobacco Trade Fund

Power Trade Investments

Fortitude Investments

Alpha Investments

4. Please explain why you chose this fund for yourself.

_____

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5. Please rate how suspicious you think each fund is [1= not at all; 7= extremely].

Tobacco Trade Fund	1	2	3	4	5	6	7
Power Trade Investments	1	2	3	4	5	6	7
Fortitude Investments	1	2	3	4	5	6	7
Alpha Investments	1	2	3	4	5	6	7

6. Please rate how unethical you think each of these funds is: [1 = not at all; 7 = extremely].

Tobacco Trade Fund	1	2	3	4	5	6	7
Power Trade Investments	1	2	3	4	5	6	7
Fortitude Investments	1	2	3	4	5	6	7
Alpha Investments	1	2	3	4	5	6	7

1. If Tobacco Trade Investments was suspicious or seemed unethical to you, please indicate why.

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2. If Power Trade Investments was suspicious or seemed unethical to you, please indicate why.

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3. If Fortitude Investments was suspicious or seemed unethical to you, please indicate why.

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4. If Alpha Investments was suspicious or seemed unethical to you, please indicate why.

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