

SUMMARY OF CONCEPTS FOR ETHICAL ANALYSIS

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1.- The elementary analysis of decisions is based on a "model" assuming that the decision-maker interacts with a given environment and makes his choices within a set of alternatives on the basis of two different guesses about future events:

- a) Expected outcomes of the performance of each alternative.
- b) Expected satisfaction for the decision maker produced by the outcomes.

2.- The limitations of such a model representing complex human decisions have become well known in recent years (see, for instance, the new models used in game theory, agency theory, economics of transaction costs, etc.). It has been frequently criticized in modern developments of organizational theory as well.

3.- The simplest generalization of this model is the one used in agency theory or game theory. It represents decision-making processes as sequences of decisions made by an active agent choosing an action in order to produce a particular reaction in another decision-maker (reactive agent).

4.- When the possibility of learning for both agents is introduced into the model, it is found that:

- a) The satisfactions of the decision-maker have to be related to both the particular interactions and the organizational state.
- b) The organizational state determines the set of feasible interactions.
- c) The internal state of both agents determines the organizational state.
- d) The learning of the agents produces changes in their internal states and, as a consequence, the organizational state changes as well.

5.- Our model shows that a decision (the choice of a particular action by an active agent) may have three different sets of consequences which have to be taken into consideration (evaluated) at the time of making the decision:

- a) the interaction itself (diad action-reaction)
- b) learning achieved by the active agent
- c) learning achieved by the reactive agent

6.- We will call "effectiveness" the satisfaction achieved by the active agent due to the experience of the interaction. We will call "efficiency" the value of the learning produced by the decision in the active agent. Finally, we will call "consistency" the value for the active agent of the learning achieved by the reactive agent due to the experience of the interaction.¹

7.- "Values" are those realities that produce "satisfactions." In our model we can identify three different kinds of "values": interactions, internal states of the active agent, and internal states of the reactive agent. Thus, we have to take into consideration three different kinds of satisfactions:

- a) those produced by interactions (*perceptual satisfactions*)
- b) those produced in the active agent by his own internal state (*internal satisfactions*)
- c) those produced in the active agent by the organizational state, that is to say, by the internal state of the other agent insofar as it is experientially known - it has already been experienced by the active agent through previous processes of interaction with that same agent (*external satisfactions*).

External satisfactions are those realities to which we are usually referring when we talk about our sentiments towards a particular person (trust, friendliness, etc.). Internal satisfactions represent what we feel about ourselves (how much we like what we are).

8.- Human beings are endowed by nature with those mechanisms they need in order to feel perceptual satisfactions (these are what we call our senses, which give us the ability to receive "reactions" coming from our environment). Things are very different in the case of external satisfactions. In this case satisfactions are produced by the internal state of another person insofar as that state may affect us (whether that person cares about me or not, and how much he cares). The ability to recognize internal states of other persons has to be learned; we will call it *evaluative knowledge*. How evaluative knowledge develops is the subject matter of ethical analysis.

¹ It should be kept in mind that we are now talking about *individual* decisions. Of course, the same three criteria can be applied to evaluate organizational decisions, that is, the decisions made by an organization when we analyze it as if the whole organization were a decision-maker. In the case of a business organization the easiest interpretation of the meaning of these criteria is the following: the effectiveness of a decision is equivalent to its contribution to profits; the efficiency of a decision is equivalent to its contribution to the growth of organizational skills for solving problems; the consistency of a decision is equivalent to its contribution to the growth of mutual trust among organizational members.

9.- Human beings are also endowed with the capacity to perform actions that may influence their environment. They can also learn how to use this capacity to achieve in the environment those reactions that produce perceptual satisfactions in them. That learned ability we will call *operative knowledge*. The internal state of a decision maker depends on both the state of his operative knowledge (the skills he has developed for manipulating the environment) and the state of his evaluative knowledge (his ability to experientially discern the value of the internal states of other persons).

10.- We might say that a person's operative knowledge determines the perceptual satisfactions he is able to attain from a given environment, while evaluative knowledge performs similar functions regarding external satisfactions. That similarity, however, says very little about the different processes that take place in each case. Two different conditions have to be met in order to achieve external satisfactions:

- a) The presence in the other person of an internal state that is satisfactory for the decision-maker (the other person really does care for me).
- b) The decision-maker has the sense (knows experientially) that such an state is present in the other person.

Observe that in the case of perceptual satisfactions things are much simpler. The mere existence of the satisfactory interaction means that the two equivalent conditions have been met (what the decision-maker feels when the interaction is taking place is the satisfaction produced by the presence of the reaction while he performs the action).

11.- Our experiential knowledge about the internal state of another person (how much that other person cares about me) determines the *content of our sentiments* towards that person. The degree of certainty that is felt about the real existence of this internal state in that person determines the *intensity* of those sentiments (it represents the security achieved by the decision-maker about this fact on the basis of experiential evidence accumulated by previous interactions with the said person). The greatest level of effort - sacrifice - made by a decision maker in order to achieve those sentiments determines their *depth*.

12.- In order to develop our sentiments we have to achieve experiential knowledge about internal states of other persons: that is to say, we have to achieve experiential knowledge about non-perceptual realities. Our experiences only contain perceptual data (the series of perceptions we have while interacting with our environment), and this is the only basis we have to start from in order to build our experiential knowledge about those other realities which underlie and produce those perceptions. The procedure that human beings follow in building up this kind of knowledge is well known, and

it means the performance of what we call *experiments*.² In essence it consists of the steps:

- a) Some hypothesis (or model) is in the mind of the decision-maker about the reaction that the other person will produce in response to the decision-maker's action (the model may be either explicit or implicit but, in any case, there must be one in order to explain why a particular action is selected by the decision-maker whenever he wants to achieve a particular reaction in the other person).
- b) Decisions made on the basis of this model are equivalent to experiments. When these experiments are successful (i. e., serve to achieve the reaction desired by the decision-maker), the beliefs of that decision-maker about the existence in the other person of the reality indicated by the model are thereby reinforced. The content of these beliefs (that which is believed) is what we have called the content of sentiments. The reinforcement means the growth of the intensity of sentiments.

13.- The performance of these experiments entails the fact that the decision-maker has to bear some costs, that is to say, he has to make a certain effort in order to perform them. The investigation of the nature of these costs reveals what is behind our concept of evaluative knowledge. To simplify our analysis, think of a decision-maker who has two alternatives for obtaining a particular reaction that he wants from some other person. One of the alternatives would mean controlling the behavior of that person by using the power that the decision-maker wields, and leaves no room for the other person to do anything but produce the reaction the decision-maker wants. The other alternative would mean the decision-maker renouncing the use of his power to control the other person and trusting instead in the goodwill of that other person towards him in order to obtain the reaction. Of course, the second alternative entails the performance of an experiment that may produce *experimental evidence* about the goodwill of the other person towards the decision-maker. However, it also means the risk of never obtaining the desired reaction, if this goodwill does not exist in that person. So, the cost of the experiment is measured by the *opportunity cost* of pursuing the second alternative instead of the first one (that which ensures the achievement of the desired reaction). Even in such a simple situation we may identify the two basic mechanisms needed in order to explain a decision-maker's capacity to perform these kinds of experiments:

² As a matter of fact the development of experimental sciences is but a very particular case of this general process.

- a) His ability to formulate a reasonable hypothesis (on the basis of the abstract - non-experimental - information that he may have at his disposal) about the existence of the required goodwill towards him in the other person. We will call this mechanism *rationality*.
- b) His ability to assume the risks of the experiment (to control his own impulse to follow the easiest path, that is to say, the alternative that looks better from the point of view of what he already knows experimentally). We will call this mechanism *virtuality*.

The quality of a decision-maker's evaluative knowledge is determined by his rationality and virtuality, because these determine the experiments he is able to perform and, as a consequence, the knowledge he is able to attain about the internal states of other persons (this knowledge is actually achieved when the experiments are successful).

14.- The qualitative growth of the evaluative knowledge - the growth of rationality and virtuality - does not depend on whether the experiment is successful. It only depends:

- a) In the case of rationality, on how well the abstract information available to the decision-maker was used to set up the model that was experimentally tested.
- b) In the case of virtuality, on the decision maker's success in controlling his impulses in order to perform the experiment.

15.- Ethics is concerned with the development of evaluative knowledge in the decision-maker. It analyzes the consequences of decisions from the point of view of those changes (learning) that they produce in this decision-maker's rationality and virtuality. Its starting point is very simple: the first (minimum) condition that any decision must fulfill is that of making sure that the decision-maker's learning due to the performance of the decision will not be *negative*. Negative learning occurs when the model used for decision making purposes is *irrational*, that is, when the decision-maker has abstract information about the fact that he is interacting with another person, and that fact is ignored at the time of making the decision (the action plan is only designed to ensure that the desired reaction will be produced, and ignores the possible consequences of the implementation of the plan for the other person's internal state). It has been very frequently pointed out that the kind of behavior based on irrational models is unethical³

³ From the classical "Do unto others as you would have them do unto you" to the kantian formulation "Deal with humans beings as ends in themselves and never as means for your

but, in most cases, the argument given to support this statement is based on the sociological consequences that usually follow from this kind of behavior (the harm to other persons). It is important to keep in mind, however, that the behavior is not unethical because of these harmful consequences that may (or may not; it is irrelevant when we are dealing with the question from a strictly ethical viewpoint) follow from it *for other persons*. The behavior is unethical because of the harm to the decision-maker's rationality that necessarily follows from the fact that the behavior was based on an irrational use of the information available to him. If that use was prompted by the desire to avoid the effort that would have been required to make a decision based on a *complete model*, and the decision is successful (achieves the desired reaction from the other persons), the lack of virtuality that was shown at the time of making the decision will have increased for similar decisions in the future.

16.- Another common pitfall of ethical analysis is reducing it to an attempt to find out what is the best action (the optimum ethical behavior) in a *particular set of circumstances*. The problem is that although one might determine what the best action is *abstracting the circumstances*, this finding is of very little help at the time of making specific decisions by any individual decision-maker confronted with a particular set of circumstances. The main obstacle to applying the "ideal action" is on the side of virtuality. Unless the decision-maker has already reached a level of "perfect virtuality," the particular circumstances in which he has to make the decision may mean an effort that his virtuality is unable to cope with. The first task of rationality is avoiding those alternatives which may produce the desired reaction but which happen to be unethical ones. The second task of rationality is finding alternatives which are not only ethical but *feasible* for the decision-maker. Also searching for alternatives that are "ideal" from an ethical viewpoint without first ensuring that they are feasible is another form of escape into irrationality.

17.- We have introduced the notion of *depth* of sentiments saying that this is determined by the highest opportunity cost - sacrifice made by the decision-maker - assumed by him in order to attain the *content* of those sentiments that he now feels towards the other person. The minimum *depth* for any given *content* corresponds to that case in which the other person *already had* the internal state which has been experimentally *discovered* by the decision-maker's interactions, and which determines the content of his sentiments towards that person (it represents the *cost of discovering* something that already existed). Of course, the depth of sentiments will be greater than that minimum in those cases in which the decision-maker has sacrificed his perceptio-nal satisfactions in order to help the growth of evaluative knowledge (learning) in the other person. In those cases, the cost assumed by the decision-maker represents not only the cost of discovering an internal state that was already present in the other person, but also the cost of helping the other person to develop some internal state better than the one he previously had. The efforts made to provide that help may be own ends," we can find many other ways of saying the same thing.

unsuccessful, but this only affects the content of the sentiments of the decision-maker towards the other person (when the internal state of the other person does not improve, the content of the sentiments of the decision-maker cannot improve either). The depth of the sentiments of the decision-maker will grow in any case: this only depends on the effort he makes, and not on how well the other person responds to it. The depth of the sentiments achieved by a decision-maker - the maximum effort made by him to help the improvement of internal states in other persons - is the consequence of the development of his own evaluative knowledge (it should be remembered that his rationality and virtuality grow in this way), and determines the intensity of his *affection* for *any* person (the intensity of his evaluation of the most fundamental value that exists: the *value of being a person*). That *affection* is what is meant by *love*, in the rigorous sense of the word. It expresses the most important property of a human being (the experimental knowledge that he has achieved about the most profound aspect of reality: the value of being a person). The greater the love a person has developed in himself, the greater the *internal satisfaction* felt by him.

18.- A great part of our difficulties when we analyze human behavior arises from confusions about the different meanings of the word *love*. We must constantly keep in mind that it has a generic meaning that only expresses our positive evaluation of *any reality* that we happen to be fond of. Thus, we need to specify this meaning on the basis of the *kind of reality* we are talking about. In our model we have three kinds of realities: *interactions*, *internal states* of decision-makers, and the *decision-makers themselves*. So, given a decision-maker, we have to say that he has *instrumental love* for other decision-makers when he likes the interactions that he may have with them (the perceptual satisfactions he may obtain in this way). He has *sentimental love* for them when he likes their internal states insofar as he knows experimentally about them (the satisfactions related to the organizational state that he has with them). He has *love - affection* - for them when he likes the *very fact of their being persons* (entities endowed with the capacity to use their freedom to influence their actions). When we are aware of these distinctions, it becomes apparent that the *purpose of ethics is analyzing human decisions to find out how much they contribute to the decision-maker's learning to love*.