



MANAGING AN ETHICAL DILEMMA

Nadica Figar

University of Nis, Faculty of Economics, Republic of Serbia

✉ *nadica.figar@eknfak.ni.ac.rs*

Biljana Đorđević

University of Nis, Faculty of Economics, Republic of Serbia

✉ *biljana.djordjevic@eknfak.ni.ac.rs*

UDC
174
Review
paper

Abstract: An ethical dilemma is a situation of making a choice between two or more alternatives. An agent is in unpleasant and difficult situation because he/she often needs to make a choice between ethical and unethical alternatives, and when it comes to the ethical alternatives, he/she should choose the best one. Selection reflects to a large number of principals, so this situation causes conflicts between different levels of ethical dilemmas, but also the conflicts within the same level. These conflicts can be solved by applying the hierarchy and priority rules which are incorporated in the procedure and, in particular, in the strategy for solving the ethical dilemmas. Through many case studies this paper points out the importance of an ethical dilemma in making business decisions, the so-called business ethical dilemma. It is the result of the incompatibilities between altruism, egoism and the common good. Neglecting the need for establishing the compatibility not only creates an ethical dilemma, but it becomes deeper, which is firstly manifested through the loss of reputation of the company, then through decreasing the financial results, and, in the worst case, in closing the company. Therefore, an ethical dilemma must be continuously managed.

Received:
02.06.2016.
Accepted:
26.09.2016.

Keywords: ethics, ethical dilemma, types of ethical dilemmas, strategies, RIMS strategy.

JEL classification: L50, L52.

1. Introduction

Individuals in everyday life, whether in personal or business, face with the necessity to make decisions. They usually have more than one alternative available. Consequently, they face with the dilemma which alternative to

choose. The aim is to choose the best one, but the criterion *the best* is different for different individuals, organisations and countries. Besides, the alternatives are regularly in conflict, so the decision maker is in a *dilemma* which alternative to choose. Basically, every dilemma contains an *ethical dilemma* (ED), i.e. whether the decision is good/bad, fair/unfair, moral/immoral. Judgments are made from the point of view of those who make the decision (agents), from the point of view of those who require decision (principals) and from the point of view of the most people who do not participate in decision-making but are affected by them (the common good or the general interest). There are different types of the EDs of which the knowledge is necessary because different types of the EDs require different strategies for their resolving. However, any attempt to find the solution is a process, not a one-time act, indicating the complexity and the importance of the ED.

This paper points out the essence and different types of the EDs, as well as the characteristics of several strategies for resolving the EDs. Case studies, old and new are used, showing that the ED is continuously present phenomenon. Also, these case studies show that the way of thinking in the process of resolving the ED affects the survival of the ED actors at all levels. Case studies from the Republic of Serbia show that this theme is current in our country, too.

2. The Essence of Ethical Dilemmas

Ethics is the science of good/bad, just/unjust, moral/immoral behaviour. As the *good* and *right* are equated with *moral*, ethics is considered to be the science of studying morality (Rossouw&Van Vuuren, 2006; Weiss, 2009; Desjardins, 2009), where morality is estimated from three key aspects (Rossouw&Van Vuuren, 2006 p. 3): in terms of the common good, personal interests and the interest of the others. *Common good* means that the behavior of an individual is in the public interest or in the interest of the most people. If the *personal interest* is excluded from the interaction, than an individual becomes altruistic, because he/she takes into account only the interests of others and his/her neglect. Altruism is unsustainable, and therefore ethical behaviour must involve respect for the interests of all the others, because only in this way the requirement for general goodness can be met. The element *other individuals* also cannot be excluded, because the individual then becomes *an egoist*, and egoism, in itself, expresses an unethical behaviour. Thus, the behavior of an individual or a group can be assessed as ethical if it is good for an individual and for the most of the others (individuals and groups).

Stoner, Freeman and Gilbert (1997) define ethics as a science which deals with human values, rights, duties and moral principles in their behaviour (Stoner et al., 1997, p. 96). Therefore, according to them, the essence of ethics is determined by four basic elements: values, rights, duties and moral principles.

Values represent the permanent desires of an individual or a group, or express the general good (e.g. peace in the world, a decent life for all people, freedom - of movement, choice, expression, etc.). Values could be identified by answering the question *why?* When it comes to the point where somebody does not want anything else, different from the last answer, then the essence of the value is determined. But when it comes to determining the value levels, answers can be different at the same time in different areas, as well as at different times in the same area (Weiss, 2009, p. 13). In the first case it is about *geographic relativism* and in the second it is about *time relativism*. Ethical relativism creates conditions for the emergence of *an ethical dilemma*.

The right, as one of the key elements of ethics, expresses the freedom of the individual or groups to achieve desired values. Since the values at a certain time and in the certain area are already defined, the right includes a method for achieving the values. Bearing in mind the key elements of ethics given by Rossouw and Van Vuuren (2006), the ethical choice exists only if in choosing the ways for achieving the values egoism and altruism do not exist. Therefore, it could be said that the rights for achieving desired (and defined) values are limited by the rights of the others or by *the common good*.

The realisation of rights is always limited by certain *obligations*. The individual or a group have an obligation to exercise their rights in achieving desired values in an ethical manner (not causing the detriment for the others, not against their own interests, but in the interests of the majority of people or for the common good).

Moral principles are norms (rules, principles and procedures) that regulate the rights and obligations while defining the essence of desired values, as well as the ways to realise them. One of the basic norms of general morality is *keeping promises* (that the individual or a group will follow generally accepted ethical norms in defining desired values as well as that in the realisation of the values will not violate their own rights and the rights of the others).

Values, rights, duties and moral principles can be defined in several ways. Whenever there is a choice between two or more alternatives, there is a possibility for *a dilemma* to emerge. Therefore a *dilemma* presents an unpleasant situation in which the individual is (RatkovićNjegovan, 2015, p. 65). The situation is more unpleasant if the individual's need to make a choice between conflicting alternatives (Weiss, 2009, p. 96). Then individuals "fall" in the so-called *ethical dilemma*: which alternative is right (ethical), and within many "rights", which is the best? (Ethical Dilemmas Examples). Such dilemmas exist both in a personal and business life, but also as a conflict between personal and business ethics. For example, a student during the study was receiving a scholarship from a company. This company did the *common good*, because it provided financial support for a student to be able to study. The student also

realised his obligations towards the company: regularly ended years with satisfactory average grades. During his/her studies he/she formed a family with a partner who had a scholarship from the company from another town. When he/she finished his/her studies, he/she found himself/herself in a dilemma whether to start to work in the company that provided him/her scholarships or in the company that provided scholarships for his/her spouse. For him/her the better alternative is to live together with his/her partner and be employed, and for the company that provided scholarships is to obtain a qualified employee because it invested in his/her education. An ethical dilemma occurs at the individual and at the organisational level and at the individual level manifests as personal and business ethical dilemma. Resolving this dilemma is possible by joint efforts of both sides. The acceptable solution is the one that meets the following three conditions: neither student, nor company should be *egoists*, or insist on meeting only their interests; neither a subject can be an *altruist*, i.e. give up of their rights; chosen alternative must be in the interest of the *common good* (students, businesses and society).

These conditions would satisfy the alternative in which the company allows its scholarship holder to employ in an another company and be with his/her family (in the public interest and without egoism), but in accordance with the legal interest to return the amount of scholarship that has received (no altruism and in the interest of the company). In this way, the company that provided scholarships could get the invested capital back and hire a person from the labor market.

The given example goes in favour of the opinion that ED cannot be prevented, because it is often conditioned by the factors which one cannot influence or which expresses its influence after the decisions has been made. However, there are the opinions that it is even not advisable to prevent ED occurrence even when it is possible, because it develops creativity for finding the solutions and brings better alternatives. However, in the process of resolving ethical dilemmas certain rules should always be followed.

3. The Rules for Solving Ethical Dilemmas

When it comes to solving the ED we speak about: theories for solving, approaches, rules, principles and criteria. The difference between these terms is reflected in the broadness of the treatment approach for solving the ED. On one side, theories and approaches equalize, and on the other, rules and principles. Without entering into consideration of the justifiability/unjustifiability of the equalisation of these terms, in this paper the authors present some of the universal rules that need to be followed in the ED resolving.

Since the ED occurs whenever there are two or more alternatives for solving problems, immanent to the ED resolving is the *rule of choice*. From the rule of choice follows the *rule of hierarchy*, i.e. forming the list of the alternative priorities for resolution the ED. It would be logical that the first alternative on the list would be one which is the best. However, the choice of the alternatives is often influenced by the emotions and situations. Emotions have two components: empirical (positive and/or negative experience that an agent gain in resolving the ethical dilemmas) and cognitive (beliefs about the process of resolving the ethical dilemmas). When it comes to the situations, they can be urgent and non urgent. Therefore, dilemma whether to respect the rule of hierarchy or the rule of choice, emerged (which changes the given hierarchy of priorities)? The question is: Why the hierarchy of the alternatives exists if it is not implemented when it comes to making the choices? Or, why the hierarchy of choices exists if it does not reflect a realistic choice? Again at the scene is an *ethical dilemma*, which also indicates its complexity.

The rules for solving the ED can be simple and multiple (Steps to Solve an Ethical Dilemma, 2008). *Simple ethical rules* are related to *the consequences* for the person who makes the decision, or to *an agent*. They consist of the “golden rule“ and rule of the categorical imperative. “*The golden rule*“ requires that an agent should take moral action through which he will treat others in the way he/she would like to be treated himself/herself. It is about the rule of symmetry or the proportionality rule. *The rule of the categorical imperative* requires that everybody behaves in the same way and expresses the universalism in behaviour.

Multiple ethical rules consist of the several simple rules, such as: the rule of duty (Prima Facie Duties), the rule of the maximum of justice (Maximum Principle of Justice) and the principle of proportionality. *The rule of duty* requires that an agent has to fulfill its moral obligations (accuracy, gratitude, justice, charity, self-esteem and not hurting others). *The rule of maximum justice* requires that an agent has to ensure equal rights and freedom to everybody, except in the cases of the social and economic inequality. *The rule of proportionality* requires that an agent does not want, does not allow and does not harm the others without proper reasons.

Depending on whether the ED is associated with the consequences or actions that are taken, the role of the outcome (result) and action rules are different. *The rule of the outcome* takes into account the consequences of alternatives and requires selecting an alternative that produces the best consequences for the greatest number of people. *Action rules* dictate the choice of the ethical actions, and the consequences of these activities are second-rate. These two types of the rules can be contradictory in terms of their application: the best resulting alternative may be the result of the unethical activities or the ethical activities are not always the best in producing the outcomes (especially

in the short term). This relationship between the rules complicates the resolution of the ED and suggests that for its solving the choice of the rules is very important.

4. Types of the Ethical Dilemmas

Typology of the ED can be made according to different criteria. The goal is creating the conditions for the proper application of the rules for its resolving. The criteria that can be used are the following: holders of the ED, levels of the ED, number of the agents, complexity of the ED, number of the selected alternatives and the relationship between different levels of ethics.

Holders of ethical dilemmas are called agents, because they need to make a choice of the best alternatives on behalf of the principals. Yet, one person can be both an agent and a principal, and in this case it is *personal ED*. When an agent and a principal are different persons, that involves *business ED*. An agent and a principal may be one person or group of the people/organisations. Resolving of the ED is more complicated if on one or both sides exist multiple agents/principals, because in this situation the ED could occur between the agents and between the principals.

The ED can occur at multiple levels: individual, organisational, sectoral, national and global. Therefore, there exist: individual, organisational, sectoral, national and the global ED. Each lower level of the ED may be in conflict with a higher level, such as: the conflict between the individual and organisational ED, between the organisational and sectoral ED, between cross-sectoral, national and the global ED. In such situation application of the rules of hierarchy is necessary, i.e. higher level regularly has the advantage over the lower level (e.g. an employee has to subordinate his/her ethical principles to the ethical principles of the organisation in which he/she is employed; ethical principles of the sector (business) are generally valid for all companies within the same sector; global ethical rules obligate all states, businesses, companies and individuals).

Depending on the number of the agents involved in resolving ethical dilemmas, they are divided into simple and multiple (Moral Dilemmas, 2002). When talk about *simple ethical dilemmas* only one agent participates in their resolving, i.e., only one agent makes a choice between two alternatives. When we have in mind *multiple ethical dilemmas* in their resolving at least two agents are included: one agent should exercise alternative A, and the other agent should exercise alternative B. In doing that, they are not independent, since the behaviour of one agent affects the behaviour of the other. Their behaviour can be in conflict: for example, the second agent choosing the alternative B depends on whether the first agent chose the alternative A (so-called symmetric ED) or

the first agent may choose the alternative A, and the second agent may not choose the alternative B (so-called asymmetric ED). Therefore, multiple ethical dilemma is called an *interpersonal conflict ethical dilemma*. *Simple ED* includes only one agent and only two alternatives, and *multiple ED* includes more agents and two alternatives or more agents and more alternatives.

Depending on the number of alternatives, the ED can be prohibited and obligatory. *Prohibited ethical dilemmas* are those where the choice of only one alternative is allowed, and all the others are prohibited, while when it is about the obligatory ethical dilemmas, more than one alternative can be chosen. *Obligatory ethical dilemmas* can be general (common) and conditioned. When we talk about *general ED*, responsibility of an agent arises from the very fact that he is a moral agent, and when it is about *the conditioned ED*, the obligation of an agent arises from his/her profession, roles and positions in the society. For example, *the professional obligation* of a doctor is to choose the best alternative treatment for each patient; moral obligation of the representative in assembly stems from his/her *role* to represent the attitudes of his political party, but also, for the social interests, to align them with the attitudes of the representatives of other parties; top manager *represents the company* in front of the internal and external stakeholders (he/she is an ethical leader, i.e. the “champion“ of the moral virtues).

Relations between different levels of ethics are often a source of the ED. Thus, the ED can be conflicting and harmoniced. When we consider *conflicting ED* there is no agreement between all levels of the decision-making and between all the actors involved in resolving the ED. It is particularly strong between the employees and the company, and can be expressed as: giving the preference to the personal interests of employees, giving the preference to the interests of the company and their harmonisation for the general interest. In practice, all forms are present, but they have different implications for the survival of the company (as a principal).

5. Examples of the Conflict between Personal Interests and Common Good

- The lawyers *CorriFetman* and *Kelly Garland* from Chicago set the billboard with the title "*Life's short. Get a divorce*". On one side of the advertising message was the attractive woman, and the other the attractive man. In this way, they showed that divorced people have a wider and a freer choice of partner, but the basic aim of the message was a personal interest (egoism). Namely, they put their personal interest above the common good, so that through the increased number of divorce proceedings to maximize their earnings. Although this billboard stood only a few days in Chicago, it produced negative publicity and negative reactions of the other lawyers and the entire public (Life is short. Get a

divorce, 2005). The example shows that the public condemns the acceptance of personal interest against the common good and sees such activity as unethical.

- The public in the Republic of Serbia is not protected from such advertisements, either. For example, one gynecological clinic announced a discount of 25% on abortion. This “service“ could be used as a gift to a friend, i.e., someone who did not have this need, but and was capable of the payment, could pay 18,000 RSD on behalf of his/her friend who had this need (Todorović&Leskovac, 2012). The inspection of the Ministry of Health had filed misdemeanor charges against the clinic. The punishment for this misdemeanor was from 300 thousand RSD to 1 million RSD. Although this clinic has expressed also altruism (gifts to friends) in addition to the egoism, the Ministry of Health ruled that the common good was jeopardized and labeled the action as unethical and pointed to the existing legal sanctions. The common good is above egoism and altruism.

- Companies doing their businesses with different segments of customers (from different geographical areas, with different ages, purchasing power, etc.). Diversity may cause that some kind of business practices could be ethical for some customer segments and for the other segments to be an unethical. For example, *Nestle* in the USA and Europe was selling the milk powder as a supplement or replacement for the breast milk. This company expanded its market in the countries of Africa. As in the USA and Europe, in Africa, too, this company for advertising purposes was giving free samples in hospitals. However, in Africa this kind of advertising campaign was proclaimed as unethical, because *Nestle* put their business interests above the common good. Namely, a large number of mothers were poor, and when they came out of the hospital, they could not buy milk powder, and their milk withered. Those who were able to buy, but not in sufficient quantities, were giving to their children less than required quantity, which caused the rise of the malnourished infants. In addition, for the powder dissolution it was necessary to use the distilled water. Yet, many mothers used local non-distilled water, which dissolved the powder, which caused infant mortality. The group, which called itself INFAKT, proclaimed that this *Nestle's* action unethical and called on consumers to boycott their products until they change their practices. The boycott lasted for seven years (Personal vs. Professional Ethics, 2012). The example points to the fact that the same business practice view from the aspect of ethics should be judged in accordance with the circumstances in which it is applied, because what was ethical in the US and Europe was unethical in Africa, and it cost *Nestle* a reduction in sales and financial results, and it also damaged its reputation.

- Business ethics of the drug manufacturers is continually in the focus of the public attention, which is understandable, since the drugs are the products that impact the health and the lives of the people. This is why these companies

should always bear in mind that their business practice (business interest) will affect the common good, i.e. the life and health and life of people. However, in practice this is not always applied, although there are repercussions. For instance, the company *Merck* put on the market a new painkiller drug *Viox*, although it was known that taking this drug can lead to heart attack and stroke. The drug has been in the market for several years, but it was withdrawn when it was confirmed that it had caused a death. This was followed by numerous lawsuits against the company, and the amount of payments was around \$ 20 billion. The same is the case with the company *Johnson & Johnson*, which used detrimental substance for drug production. The drug was withdrawn when it was found that this drug caused deaths (Paine, 1994). Also, the drug manufacturers make agreements with doctors to prescribe higher doses of drugs to patients than it is necessary. Further, patients are suggested to consume the drugs for a longer period. Finally, drug manufacturers through advertising campaigns recommend preventive use of the drugs by healthy people only for the purpose to increase revenue and profits. Such practice represents false altruism, i.e. hidden egoism, because the common good and caring about others mask the desire for unjustified increase in sales volume and revenue.

- In the USA, it was found that in 2008 one of the main causes of death was poisoning by drugs, and the poisoning was mostly caused by the painkillers. Painkillers are often consumed because of the arthritis, which is a result of aging or obesity (Drugs major cause of death in the United States, 2012).

- There are many examples of the unethical information in advertisements about the price of the product/service, quality, warranty period and other conditions. For example, on the billboards very attractive prices for air travel from Belgrade to some of the European capitals appeared for just 19 euros in one way (Antelj&Albunović, 2009). However, a passenger has to pay additional 16.5 euros for the airport tax in Belgrade, 4.5 euros for passenger insurance, additional payment for fuel is 36 euros, and the cost of issuing airline tickets is 12 euros. So the real cost of air transport to Thessaloniki rose from 19 to 88 euros. And if someone wants a return ticket, the price is higher. Personal interest of air travel companies is obvious, regardless of the fact that fraud is not an ethical means of business.

The important question for the management of the company is how to behave when the ethical scandals appear: to act or to remain silent. These old examples of the two companies are still educative.

- The company *Johnson & Johnson* faced with an ethical crisis in 1982 when many people died of poisoning caused by the drug that this company produced (Tylenol). This drug represented the strongest brand of this company because it provided 7.4% of the total revenue and 17-18% of the profits. After the poisoning, the company in a short period lost 100 million dollars and the

price of its shares dropped sharply. *James Burke*, former chairman and the chief executive officer, ordered the withdrawal of the drug from the market. In this way, the ethical incident was confessed. Also, the company was opened for providing the information for the public. This was interpreted as an “ethical gesture” of the company, and for a period of 18 months it regained 95% of its previous market share. Thus, this gesture of the company *Johnson & Johnson* became a textbook example of how to behave and deal with the consequences of the tragedies that are the result of an unethical organisational behaviour. The company publicly admitted an unethical behaviour in order to achieve personal interest, and the public accepted this as an “ethical gesture” and restored trust in the company, which is evidenced by the return of market share to 95%.

- Another, completely different example is the company *Gerber* which is the baby food manufacturer, and in whose jars of food for children the glass was found in 1984. The company withdrew 550,000 jars in 15 countries, and financial loss dropped 4% in sales revenue (Barron, 1986). In 1986 there was an incident of the same nature: consumers found pieces of glass in 645 jars in about 40 countries. Inspectors of then existing Federal Health Organization found glass in 21 of 137 opened jars. The president of the company, *William McKinley*, decided that the company should not react on this situation, although several children ended up in the hospital from injuries caused by the glass in food. Agency for food and drug has also decided not to react in this situation, with the explanation that in 30,000 jars was founded only a few pieces of glass. Non reacting was shown as unpopular measure, because in the next year the company had a decline in profit of 15 million dollars, and company president was dismissed for violating the company's reputation (Molotsky, 1986).

- Sometimes there is a strong pressure on the managers and the rest of the employees to behave unethically, i.e., to put business (company's) interest above the common good. The CEO of *Beech-Nut Nutrition Corporation* found himself in such situation (Rahim, 2001). He discovered that, instead of 100% natural apple juice company was using concentrate made of sugar, water and chemicals. The responsible people in the company knew this fact before he came to this company, but due to 25% lower prices offered by the concentrate suppliers, such input was hold on. The CEO, despite the fact that he knew the truth, did not change suppliers, because he was brought in the company to improve its operations, which would not be possible if the 100% natural apple concentrate was not used. He did not react even when one of the technologists while checking the quality of the concentrate expressed doubts about the quality (superior estimated behavior of the technologist as bad for the company). In this case the CEO and the superior subordinated their personal ethics to the business ethics. However, after investigation, the CEO pleaded guilty for selling the lower quality juice, and the cost of penalties and the lost revenue from sales was

amounted to \$ 25 million. The example shows that both personal interest and company interest must be subdued to the common good.

6. Strategies for Resolving Ethical Dilemmas

In the literature and the practice several strategies for resolving the ED are known. Common for all strategies is that they represent a process, consisting of a smaller/larger number of stages or including lower/higher number of dimensions of the ED.

Strategy 5P gain this name since it includes five dimensions of the ED, starting with the letter **P**: **P**roblems, **P**ossibilities, **P**eople, **P**riniciples and **P**riorities (RatkovićNjegovan, 2015). Firstly, the *problems* related to the ED are defined, then the *possibilities* for its resolution are analyse through the determination of a certain number of the alternatives. Thirdly, how these alternatives which reflect on the *people* and the relevant stakeholders are analysed. In accordance with that, obligation to some stakeholders are determined. They must be in accordance with the law, current industry standards, professional codex, ethical principles and organisational culture, or in accordance with the certain *principles*. As a result emerge a list of possible alternatives for resolving the ED, and *priority* is given to the most favourable one (one that meets the interests of the enterprises and the society).

In the management of the ED there are two basic approaches. One focuses on the consequences of what is done. Therefore, for resolution of the ED *the strategy of consequences or corrective strategies is used*. The second approach focuses on the actions that are taken in order to prevent the ED, so they are called *the action or preventive strategies*. Since that these two approaches are not contradictory, *complementary strategies* are designed for *analysing and resolving the ED*. They are implemented in three steps (White, 1993): analyses of the consequences, analyses of the actions and making the decision.

The first step - Analyses of the consequences refers to the consideration of the positive and negative consequences of different options, the positive and negative consequences which are connected and on the basis of their combinations, the alternative with the most favourable consequences (so-called the best consequence) is chosen.

The second step - Analysis of the actions focuses on the activities based on the moral principles, such as honesty, fairness, equality, respect for the dignity of others, respect for human rights and involvement in solving the problems of the weaker and less fortunate people (empathy). The agent puts himself/herself in a situation in which the principal is and takes actions that he/she wants to be taken against him/her if he/she is in the same or similar situation. In resolving the ED the application of the "golden" rule dominates.

The third step -Making the decision based on the previous two steps, and reference to the selection of the best alternative.

RIMS (Rational Interaction for Moral Sensitivity) strategy was created as a strategy for resolving the social and personnel ED in the workplace (Rossouw & Van Vuuren, 2006, p. 95). But it is also a tool for solving difficult ED that arise in the business in an uncertain environment (Rossouw & Van Vuuren, 2006, p. 100). It is based on the theory of ethics of the German philosopher J. Habermas. In order to apply, five assumptions have to be fulfilled (Rossouw & Van Vuuren, 2006, pp. 97-99):

1. There is an ethical disagreements,
2. Ethical disagreement is not the same as ethical relativism,
3. Dialogue can produce solutions,
4. Focusing on the motives is futile, and
5. Ethical arguments are only allowed.

1. *There is an ethical disagreement.* Ethical disagreement is the consequence of different cultures. Therefore, there can be as many different solutions for one problem as many different cultures exist. This is understandable, but the ED also occurs within the same culture because of the different emotions of the individuals. Therefore, it should be rational when forming the options to take into account the knowledge, experience and norms that can lead to the consensus.

2. *Ethical disagreement is not the same as ethical relativism.* Ethical relativism represents a view that rejects the universality of ethical norms, i.e. *good* and *evil* are the relative terms, dependable on the attitudes of an individual and the situations in which he/she is (Weiss, 2009, p. 115). RIMS approach starts from the assumption that the interaction between different ethical point of view is not only desirable, but also represents an important source of creativity in finding the best answer.

3. *Dialogue can produce solutions.* This strategy in its essence has the dialogue as an instrument for resolving the ED. The assumptions for the dialogue are that the participants in the decision-making process understand and accept the ethical disagreements, and therefore engage in finding a solution within the context of disagreement.

4. *Focusing on the motives is futile.* Focusing on the basic motives can highlight different ethical point of views, but cannot overcome the rivalry between them. The focus should be on finding the solution that takes into account the views of all the participants, but it is not based on the individual motives.

5. *Ethical arguments are only allowed.* These are the arguments that meet the minimum requirements of the moral argument that is allowed: the opinion of the others is respected and selfishness is eliminated.

If the above mentioned assumptions are fulfilled, RIMS strategy is implemented through three basic steps (Rossouw&Van Vuuren, 2006, p. 99).

Step 1 - Generation and evaluation of all aspects of the views

Consideration is doing on every ethical aspect of the view that meets three criteria (to represent an ethical argument and not being selfish, to be clear and understandable to everyone and to be factually correct).

Step 2 - Identifying the implications

In the focus of consideration should not be the motives of behaviour, but the implications that behaviour causes. The positive and negative implications are identified.

Step 3 - Finding the solutions

Participants should cooperate in the process of finding the solutions in a way that the negative implications are eliminated or reduced to the minimum, and by keeping the positive.

Although RIMS strategy seems to be simple, two shortcomings attribute to it (Rossouw&Van Vuuren, 2006, p. 99): it requires a lot of time and it is not compulsive.

Lack 1 - It is a great consumer of time

Each process where decisions are made through participation requires a lot of time in order to make optimal decisions, as is the case with the RIMS strategy. But it should be seen as an opportunity for the expression of the creativity and creating a large number of alternatives.

Lack of 2 - No one can be forced to use the RIMS strategy

The RIMS strategy is predisposed for failure if the people are not willing to participate in this process. It represents a challenge for motivating people to engage in the process of RIMS and for this purpose a lot of strategies for convincing can be used: to make people understand and believe that the approach from many aspects is necessary, to spread the story about the successful application of this approach in similar situations, which gives it credibility, and the people by participating in this process become co-creators of their working and living conditions.

The strategy that emphasises the benefits of resolving the ED is the three-stage strategy based on the value. It is about the next steps (Steps to Solve an Ethical Dilemma, 2008):

- *The first step* - creation of the list of key values,
- *The second step* - selection of the ethical theory which is the most connected with the key values and
- *The third step* - using the problem-solving process to select the best alternative.

The company creates a list of key values depending on its organisational ethics and organisational culture. From this list can be seen whether the company puts greater importance on the consequences of the ED or on the activities that are used for its resolution, and accordingly choose the theory of the consequence or the theory of activity. Resolving the ED is the process of selecting the best alternative with respect of the simple and multiple rules for its resolving.

Methods-based strategies. Since the strategy represents the way for resolving the ED, it represents the procedure for its resolving, which includes a large number of different activities. In the literature and the practice can be found simpler and more complex methods (strategies). Here is present the method that includes 12 activities (Systematic Presentation of Ethics, 2014):

1. Gathering all the relevant facts,
2. Clarifying the key ethical issues,
3. Identifying relevant rules and principles,
4. Consulting the important sources of information,
5. Asking for help from other actors, in order to avoid self-deception and paying too much attention on personal prejudices,
6. Making the list of all the relevant alternatives (consequences and actions),
7. Comparing the alternatives with the ethical principles,
8. Assessing the results of each alternative,
9. Consideration of the alternatives,
10. Making the decision,
11. Creating systems and practices that will support the implementation of the decision,
12. Monitoring the implementation of the activities for the selected alternative.

Any strategy for resolving the ED is the subject of the evaluation from the following aspects (Steps to Solve an Ethical Dilemma, 2008): efficiency (that decisions are made quickly), consistency (continuous output

increasing), usefulness (building emotional goodwill with stakeholders) and self-esteem (a person who participates in resolving the ED should feel pleasure derived from the solution).

7. Conclusion

An ethical dilemma is a situation in which the agent has to choose the best ethical alternative for the principal. The same person can be in the role of an agent and in the role of a principal. In this case a conflict between personal and business ethics can arise. If an agent gives priority to his own interest, he/she will choose an egoistical alternative; if he gives priority to the interests of others, he will choose an altruistic alternative; if he gives priority to the interests of the majority, with respect to his own interests, he will choose an ethical alternative. Elimination of the egoism and altruism, and respect for the general interest help in resolving the ED. Different types of the ED assume different meanings of *the common good*. Therefore, it is helpful to know typology of the ED, especially in the business world, since the business EDs are more complex than the personnel EDs. Complexity arises because of the conflict between the business ethics of different levels as well as because of the conflict of business ethics at the same level. The company, as a business entity, has a variety of stakeholders, therefore the ED can occur in relationships with each of them. However, the most visible EDs are those that appear in relationships with users of the products/services, because users are the those who verify what is ethical and what is not. Some businesses (e.g. the pharmaceutical industry, food industry, health care) are more susceptible to discovering unethical, but all suffer long-term negative consequences of an unethical behavior. Given examples of the companies such as *Johnson & Johnson, Nestle* and others confirm this fact. Therefore, the ED must be resolved in an adequate and timely manner, which assumes using the appropriate strategies - strategies that represent a process, not a single act (such as, for example, the withdrawing the harmful products from the market). Even the best ethical alternative is not selected, it should strive to minimize the consequences (a good example is the company *Gerber* in 1984, and the bad example is the same company in 1986). Geographical and time ethical relativism give the possibility for the occurrence of the ED at any time and in any space. Therefore, the ED is a continuous problem-solving issue. Further investigations of ED could benefit from cluster analysis that would afford the assessment of ED intensity in various businesses and their mutual comparison. Although the present paper lists various case studies, they do not allow the generalisation of conclusions because the clustering was not performed.

References

- Antelj, J. & Albinović, I. (2009). Karteod 19 evrasmo u reklami, Retrieved from: www.politika.rs/rubrike/potrošač/Karte-od-19-eura-samo-u-reklami.sr.html, Accessed on 22 May 2016.
- Barron, J. (1986). 30 states report glass in baby food, F.D.A. says, Retrieved from: www.nytimes.com/1986/03/02/us/30stages-report-glass-in-byby-food-fda-says.html, Accessed on 15 February 2013.
- Desjardins, J. (2009). *An Introduction to Business Ethics*. New York: McGraw-Hill.
- Ethical Dilemma Examples, Retrieved from: www.examples.yourdictionary.com/ethical-dilemma-examples.html, Accessed on 22 May 2016.
- Lekoviglavniuzroksmrti u SAD. (2012). Retrieved from: www.vesti-online.com/Vesti/Svet/193155/Lekovi-glavni-uzrok-smrti_u_SAD, Accessed on 18 February 2013.
- Molotsky, I. (1986). Call for Recall of Gerber Baby Food Rejected. *The New York Times*, March 4th, Retrieved from: <http://www.nytimes.com/1986/03/04/us/call-for-recall-of-gerber-baby-food-rejected.html>, Accessed on 1 Jun 2016.
- Moral Dilemmas. (2002). Retrieved from: <http://plato.stanford.edu/entries/moral-dilemmas/>, Accessed 22 May 2016.
- Paine, L. (1994). Managing for Organizational Integrity. *Harvard Business Review*, March-April, 106-117.
- Personal Ethics vs. Professional Ethics. (2012). Retrieved from: <http://www.studymode.com/essays/Personal-Ethics-Vs-Professional-Ethics-896626.html>, Accessed on 22 May 2016.
- Rahim, M. A. (2001). *Managing Conflicts in Organization* (3rd ed). Retrieved from: http://www.untag-smd.ac.id/files/Perpustakaan_Digital_1/CONFLICT%20MANAGEMENT%20Managing%20conflict%20in%20organizations.pdf, Accessed on 26 February 2013.
- Ratković Njegovan, B. (2015). *Poslovna etika*. Novi Sad: Fakultet tehničkih nauka.
- Rossouw, D. & van Vuuren, L. (2006). *Business Ethics* (3rd ed). Cape Town: Oxford University Press.
- Systematic Presentation of Ethics. (2014). Retrieved from: www.theologyofwork.org/key-topics/ethics/systematic-presentation-of-ethics, Accessed on 22 May 2016.
- Steps to Solve an Ethical Dilemma. (2008). Retrieved from: www.bigg.success.com/bigg-articles/3-steps-to-solve-an-ethical-dilemma/, Accessed on 22 May 2016.
- Stoner, A., Freeman, E. & Gilbret, R. (1997). *Menadžment*. Beograd: Želnid.

- Todorović, S. & Leskovic, M. (2012). Zdravstvena inspekcija kontroliše kliniku zbog "popusta na abortus", Retrieved from: www.blic.rs/Vesti/Društvo/351921/Zdravstvena-inspekcija-kontroliše-kliniku-zbog-propusta-na-abortus, Accessed on 22 May 2016.
- Weiss, J. (2009). *Business Ethics - A Stakeholder & Issues Management Approach*. Mason: South-Western Cengage Learning.
- White, T. I. (1993). Resolving an Ethical Dilemma, Retrieved from: bourbon.usc.edu7engr102-p09/ethics.pdf, Accessed 18 February 2013.
- Život je kratak. Razvedite se. (2005). Retrieved from: [www.ratko.biz/zivot-je-kratak-razvedite se/](http://www.ratko.biz/zivot-je-kratak-razvedite-se/), Accessed on 26 February 2013.

UPRAVLJANJE ETIČKOM DILEMOM

Apstrakt: Etička dilema predstavlja situaciju izbora između dve ili više alternativa. Agent se nalazi u neprijatnoj i teškojsituaciji, jer često treba da izabere između etičke i neetičke alternative, a kod etičkih alternative treba da izabere najbolju. Izbor tangira veći broj principala, tako da dolazi do konflikata između različitih nivoa etičke dileme, ali i do konflikata u okviru istog nivoa. Oni se rešavaju primenom pravila hijerarhije i pravila prioriteta, koja se ugrađuju u određen postupak, odnosno u određenu strategiju rešavanja etičke dileme. Kroz veći broj studija slučaja ukazuje se na značaj etičke dileme u poslovnom odlučivanju, na tzv. biznis etičku dilemu. Ona je rezultat nekompatibilnosti između altruizma, egoizma i opšteg dobra. Zanimljivo je uspostavljanje kompatibilnosti ne samo da stvara etičku dilemu, već je produbljuje, što se ispoljava prvo preko gubitka reputacije preduzeća, zatim preko smanjenja finansijskog rezultata, a u najgorem slučaju do nestanka preduzeća. Zato, etičkom dilemom treba kontinuirano upravljati.

Ključne reči: etika, etička dilema, tipovi etičke dileme, strategije, RIMS strategija.

Authors' biographies

Nadica Figar graduated from the Faculty of Economics in Niš 1974. She received her MA (1980) at the Faculty of Economics in Belgrade and PhD (1991) at the Faculty of Economics in Skoplje. She is a Full Professor at the Faculty of Economics in Niš, teaching the following subjects: Managing the Enterprises' Resources, Entrepreneurship, Business Ethics and Costs in Business Decisions. She has published about 150 scientific and professional papers, university textbooks such as *Costs of Enterprises*, *Managing the Enterprises' Resources*, *Entrepreneurship* and monograph *Management of the Managers*, *Costs of the Enterprises – theory and practice* and *Corporate*

Social Responsibility. Her fields of interest include cost management and entrepreneurship.

Biljana Đorđević graduated from the Faculty of Economics in Niš 1992. She received her M Sc (1998) and PhD (2007) at the Faculty of Economics in Belgrade. She is an Associate Professor at the Faculty of Economics in Niš, teaching the following subjects: Managing the Enterprises' Resources, Human Resource Management, International Human Resource Management and Career Management. She has published more than eighty scientific and professional papers, university textbook Human Resource Management (co-author) and monograph Career Success. Her fields of interest include human resource management, career management and managing the enterprises' resources.