

6.6: Ethics and Risk Management

Engineering and ethics have been in the news a great deal in recent years, in stories about the BP oil spill, the Volkswagen emissions-control software scandal, and the General Motors ignitions switch recall. These stories remind us that decisions about risk inevitably raise ethical questions because the person making the decision is often not the one who will actually suffer the consequences of failure. At the same time, unethical behaviour is itself a risk, opening an organization to lawsuits, loss of insurance coverage, poor employee morale (which can lead to more unethical behaviour), and diminished market share, just to name a few potentially crippling problems.

An article on the website of the International Risk Management Institute explains the link between risk management and ethics as essentially a matter of respect:

Ethics gives guidelines for appropriate actions between persons and groups in given situations—actions that are appropriate because they show respect for other’s rights and privileges, actions that safeguard others from embarrassment or other harm, or actions that empower others with the freedom to act independently. Risk management is based on respect for others’ rights and freedoms: rights to be safe from preventable danger or harm, and freedom to act as they choose without undue restrictions.

- Both ethics and risk management foster respect for others, be they neighbours, employees, customers, fellow users of a good or service, or simply fellow occupants of our planet—all sharing the same rights to be safe, independent, and hopefully happy and productive. Respect for others, whoever they may be, inseparably links risk management and ethics (Head, 2005).

Why do people behave unethically? That’s a complicated, interesting question—so interesting, in fact, that it has been the motivation for a great deal of human art over many centuries, from Old Testament stories of errant kings to Shakespeare’s histories to modern TV classics like *The Sopranos*.

Sometimes, the upper managers of an organization behave, collectively, as if they have no empathy or conscience. They set a tone at the top of the organizational pyramid that makes their underlings think bad behaviour is acceptable, or at least that it will not be punished. For example, the CEO of Volkswagen said he didn’t know his company was cheating on diesel engine emission tests. Likewise, the CEO of Wells Fargo said he didn’t know his employees were creating fake accounts in order to meet pressing quotas. One can argue whether or not they should have known, but it’s clear that, at the very least, they created a culture that not only allowed cheating but rewarded it. Sometimes the answer is to decentralize power, in hopes of developing a more open, more ethical decision-making system. However, Volkswagen is currently discovering as they attempt to decentralize their command-and-control structure that organizations have a way of resisting this kind of change (Cremer, 2017).

Still, change begins with the individual. The best way to cultivate ethical behaviour is to take some time regularly to think about the nature of ethical behaviour and the factors that can thwart it. Therefore, it is fair to say, “Let’s start with the question of personal values, in order to reach an ethical society”.

“[8.7 Ethics and Risk Management](#)” from [Technical Project Management in Living and Geometric Order](#) by Jeffrey Russell, Wayne Pferdehirt and John Nelson is licensed under a [Creative Commons Attribution 4.0 International License](#), except where otherwise noted.

This page titled [6.6: Ethics and Risk Management](#) is shared under a [CC BY-NC-SA 4.0](#) license and was authored, remixed, and/or curated by [Adam Farag and Fanshawe College](#).