

Goodman
School of Business

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Welcome to Business Breathers

The Ethics of Exploiting Loopholes

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Taking businesses, careers and ideas to the next level

Coronavirus Pandemic

The economy has come to a halt

Government is responding with financial aid

Normally, legislation takes months

Unfortunately, laws and regulations written quickly often
lack precision

Obligation to obey the law

- Minimum level of socially acceptable behaviour

Two attitudes

1. Literal rendering of the wording
2. Good-faith interpretation of its intention

Compliance Attitude

Literal interpretation of the law

Easy to determine if action is mentioned

Generates consistent behaviour

Provides a defense in the event the action is challenged

Beach Rules



Photo: Google

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Linguistic ambiguities

- Unintentional errors, omissions, mistakes
- The letter of the law may be inconsistent with its spirit

May have personal benefit or economic value

Is exploiting a loophole:

- A smart and effective business tactic?
- Gaming the system?

Badminton, anyone?



Photo: Google

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Codes cannot cover every contingency

Some may take silence for assent

An omission does not mean it's acceptable

How can you defend utilizing a loophole?

Moral Disengagement

The process of justifying to oneself the legitimacy of a decision or action that you know is questionable or unethical

Shift the Onus

Blame the other person

- Claim the moral high ground, while accusing the other of the wrongdoing

Herd mentality

- The mob made the decision for me
- Everybody's doing it

No introspection

Deny the negative consequences

- It's not really hurting anyone

De-humanize the activity

- It's nothing personal. It's just business

But, business is highly social

- Decisions impact people with names, faces, and families

Their job is to detect weakness in the laws that profit corporations

Public accountants required to protect the public interest ahead of the narrow self-interests of their clients

Will they report these loopholes to the government?

Will they encourage their corporate clients to capitalize on these opportunities?

Curling

Self-regulating sport



Photo: Shutterstock Image

Personal ownership by admitting
mistakes

Loopholes illustrate the tension between public welfare and personal gain

Are you willing to self-police?

Move from mere obedience to the law to instead adhering to its spirit

Protect public interest by refraining from exploiting loopholes

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