Ethical Decision Quality

Building an Ethical Decision Culture

Ву

Ali E. Abbas

Ethical Decision Quality: Building an Ethical Decision Culture
By Ali E. Abbas
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Dedication

To my mother and family



Disclaimer

An extensive amount of literature, data gathering, and media sources have been compiled while writing this book. The data is presented with precise references and citations to illustrate, with numerous examples, how the elements of ethical decision quality and the fundamental organizational impediments were conceived. The book does not judge the truth or falsity of the publicly available media articles or other citations in the public record.

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Preface

How do you assess the ethical quality of decisions? What are the impediments to ethical decision quality in an organization? And how do you build an organization's ethical decision culture? This book will address these questions by drawing conclusions and insights based on numerous media articles, documentaries, movies, and case studies.

Several factors inspired the writing of this book. The first was the observation that organizational decision-making and ethics have often been treated as different topics. This separation impacts the quality and rigor of decision-making methods that are incorporated into the analysis of ethical situations, as well as the ethical quality of the analysis of many decision-making processes. Decision-making under uncertainty can be a challenging task without relying on appropriate tools and processes. There is no reason to believe that decisions involving ethical considerations are simpler or require less rigor.

The field of decision analysis provides a wealth of tools to help decision-makers achieve clarity of action. For example, decision analysis highlights situations where individuals become reluctant to changing a course of action because of the sunk cost bias even if a change is necessary and even if the inaction has ethical implications. Further, if you judge a decision only by the outcome that is received, then you would be falling into a well-known decision trap of failing to recognize the difference between a decision and its outcome; and this judgment may also have ethical implications. And if you operate on behalf of others using a risk tolerance that is too high, you may be exposing stakeholders to unwanted risk and loss of value. On the other hand, if you operate with a risk tolerance that is too low, you may be leaving good deals on the table and losing value to stakeholders. Despite these (and many other) well-known tools in the field of decision-making, decision analysis has yet to be fully integrated into the teachings of ethics.

On an organizational level, teaching ethics without a focus on decision making principles and the need to capture uncertainty, can render the teaching irrelevant to corporate decisions and can steer the direction of the analysis toward deterministic reasoning, which overlooks uncertainty and ignores a wealth of knowledge on traps, biases, and normative decision-making methods.

The *New York Times* and the *Wall Street Journal* published articles questioning whether ethics courses are useless and whether business schools can teach students to be virtuous.¹

On the other hand, teaching decision-making without a focus on ethics ignores the ethicality of the chosen alternatives. The tools of decision analysis are insensitive to the morality of their application. For example, you can use decision analysis to decide on the best way to rob a bank, and the decision tools you incorporate will help you determine the best strategy to achieve your purpose. You can also knowingly use information that is not credible in the analysis or deliberately not take into account any opposing information. Or you can use a flawed method of decision-making that yields outcome-predetermined analysis. The analysis is insensitive to the ethicality of the information you enter. It is therefore essential to integrate ethics into the teaching of decision analysis.

A second impetus for writing this book was the observation that "what is ethical" and "what is legal" (or "what is compliant with corporate policy") are widely confused, which further complicates ethical decision-making. When operating within the bounds of the legal system, organizations place much more emphasis on recommendations made by the legal team than on the ethical implications of the decision. And while organizations have what is referred to as "ethics officers," many are, in effect, compliance officers that enforce corporate policy even if it violates some ethical principles. It is therefore essential to create distinctions highlighting the impacts of focusing solely on the legal system or compliance while making decisions. A method to determine the best decision alternative must consider the ethical, legal, and prudential aspects of a decision.

A third reason for writing this book was the need for a method to assess the ethical quality of decisions, either in real time or through a survey of past choices. A scan of thousands of media articles about poor decision-making that led to ethical collapses in for-profit and not-for-profit

https://www.nytimes.com/1989/11/25/opinion/ethics-courses-useless.html; https://www.wsj.com/articles/SB106365505376228100

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organizations revealed repeatable elements that were impacted during the decision-making process. Following this observation, there was a need to categorize the findings and present a method to assess the ethical quality of decisions. "Ethical decision quality" (or EDQ) is coined for this purpose. All of the ethical collapses that were observed during the data gathering of this book resulted from failures in one or more elements of ethical decision quality.

A fourth reason for writing this book was the observation that, besides ethics and decision training, there is a need to identify (and minimize) impediments to ethical decision-making inherent within organizations. The data gathered showed that, in many cases, it was a few organizational mindsets and leadership actions that impacted the ethical quality of decisions. A characterization of these common mindsets and leadership actions that impeded ethical decision quality is provided.

The observed patterns also identified ways by which ethics can be taught and practiced to better fit within the context of organizational decision-making. In response to the queries from the *New York Times* and the *Wall Street Journal* about the efficacy of ethics training in organizations, the findings reveal that besides ethics training, several additional layers are needed: (1) a layer that understands, identifies, and audits the elements of ethical decision quality; (2) a layer that identifies and minimizes organizational traps, mindsets and structures that impede ethical decision quality; (3) leadership commitment to building a legal, ethical, and prudential decision-making environment; and (4) a commitment to avoiding common managerial decisions that impede ethical decision quality. The term "building an ethical decision culture" is coined for this purpose.

While writing this book, I often reflected on whether the patterns that had already been categorized, while repeatable, were general enough to capture the essence of collapses in a broad range of industries, cultures, and enterprises. But those periods would quickly end because another scandal would occur, and its patterns would fit precisely within the patterns that had already been categorized. These new occurrences would confirm that the results were generalizable and that the recent scandals were predictable.

Ethical Decision Quality: Building an Ethical Decision Culture is structured as follows:

Part 1 presents many real-life examples of decisions made by organizational administrators. The main objectives of this part are to provide motivation for why a method to assess the ethical quality of decisions is needed. Not all portions of the examples in Part 1 include ethical violations. Some examples were introduced merely to compare what different corporate administrators did in similar situations. Subtitles are inserted within the examples to highlight the repeat patterns observed during the data gathering. Reflection points are also presented for brainstorming alternate routes that could have been pursued, reflecting on the situation from different perspectives, or identifying patterns, traps, or common impediments to ethical decision quality.

Part 2 presents the elements of ethical decision quality and reflects on the weak elements of the decisions made in part 1 before the ethical collapses occurred. The elements discussed in this part provide a method to assess the ethical quality of a decision in real time or through a survey of past decisions.

Part 3 identifies common impediments to ethical decision quality that were gleaned from the data-gathering phase of this book. One action item that evolved was the need to create more awareness about what is legal and ethical. This book discusses the implications of focusing solely on the legal aspects of a decision. The term "legally unethical" is coined for this purpose. I hope this term becomes more common in mainstream language. Another action item is the need to create awareness about the difference between ethics and compliance. While many organizations have what is referred to as "ethics officers," they are, in effect, compliance officers that work closely with the legal department to enforce organizational policies that may themselves be unethical.

Part 4 of the book explains how to build an "ethical decision culture," which nurtures ethical decision-making across the organization and minimizes the common impediments to ethical decision quality.

This book is written for anybody interested in learning about ethical decision-making. It can be used in classroom discussions that combine ethics

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and organizational decision-making. It is also particularly relevant for corporate managers.

Besides its use by managers, this book can also be used by individuals during job interviews by asking about the organization's stance on ethical decision quality and its ethical decision culture during the interview process and before accepting a job offer.

I hope you enjoy reading this book and that it can help improve the ethical quality of your decisions and the ethical decision culture within your organization.

Ali Abbas

Part 1

A Short While Ago, in a Galaxy Not Too Far Away

Chapter 1

Our Founding Fathers Wrote an Important Document

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

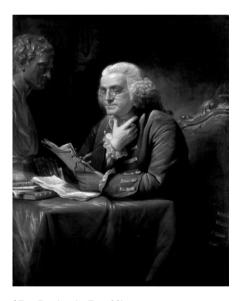


Figure 1.1. Portrait of Dr. Benjamin Franklin

1.1. The Founding Fathers characterized fundamental human rights

A short while ago, five authors (John Adams, Benjamin Franklin, Thomas Jefferson, Roger Sherman, and Robert Livingston) were tasked with writing an important document². After some edits and debates, it was approved

² https://www.archives.gov/founding-docs/declaration-transcript

by the Continental Congress on July 4, 1776 announcing the separation of thirteen states from Britain. The document starts with the phrases,

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

Reflection

Cambridge Dictionary defines "unalienable" as "something that cannot be taken away from you or denied". The founding fathers identified some unalienable rights that are endowed upon individuals at birth.

- 1) What actions have some people done in the past to take these rights away from others?
- 2) What other rights have been identified in various constitutions or human rights declarations? Hint: For one example, conduct a search on the United Nations "Declaration of Human Rights".

1.2. Ethical tolerances: They tolerated violations of the unalienable human rights when they did not have support from the delegates

A draft of the Declaration of Independence had a clause about slavery. The clause read,

He has waged cruel war against human nature itself, violating its most sacred rights of life and liberty in the persons of a distant people who never offended him,

captivating and carrying them into slavery in another hemisphere, or to incur miserable death in their transportation thither.⁴

This clause did not resonate well with the Southern delegates (and some of the Northern delegates) who were profiting from the slave trade.

³ https://dictionary.cambridge.org/us/dictionary/english/inalienable-right

https://www.npr.org/2015/07/03/419824340/scrapped-declaration-of-independence-passage-denounced-slavery

As a result, the paragraph was dropped. After another eighty-seven years, a Civil War, the Emancipation Proclamation, and the Thirteenth Amendment slavery ended.

1.3. One of the authors consistently included uncertainty in reasoning about the future

Dr. Benjamin Franklin (shown in figure 1.1), one of the authors, always allowed for uncertainty and unanticipated consequences in his writings. He mentioned, as an example, rather jokingly, on November 13, 1789 about the Constitution.

Our new Constitution is now established, everything seems to promise it will be durable; but, in this world, nothing is certain except death and taxes.

Dr. Franklin remained optimistic about forming a republic, not a monarchy, but still considered uncertainty in his responses to this question. Historical records of the events of the last day of the convention noted on September 18, 1787,

A lady asked Dr. Franklin: Well Doctor, what have we got a republic or a monarchy—

A republic, replied the Doctor if you can keep it.

Reflection

- 1) Is it helpful to allow room for uncertainty when reasoning about the future?
- 2) Are there biases that make you believe something you desire is more likely to occur? Yes. The desirability bias is the tendency to believe the likelihood of something you desire is higher. Note that Franklin was cautious about asserting the prospect he desired would occur without simultaneously providing a condition for which it would not occur. He was less affected by this bias than many others.

1.4. Franklin noted an obligation to update belief in the light of new information

Dr. Benjamin Franklin also observed the importance of updating beliefs and that there is an obligation to change opinions and to act in the light of new information. He mentioned,

I confess that there are several parts of this constitution which I do not at present approve, but I am not sure I shall never approve them: For having lived long, I have experienced many instances of being obliged by better information, or fuller consideration, to change opinions even on important subjects, which I once thought right, but found to be otherwise.

Reflection

Can you think of situations where not acting on new information can harm others?

1.5. He noted the effects of prejudices, local interests, and selfish views that impede ethical decision-making in a group

Dr. Franklin noted the impact of motives, prejudices, local interests, selfish views, and errors of the opinion of various individuals when writing the Constitution.

I doubt whether any other convention we can obtain may be able to make a better Constitution . . . for when you assemble a number of men to have the advantage of their joint wisdom, you inevitably assemble with those men all their prejudices, their passions, their errors of opinion, their local interests, and their selfish views. From such an assembly, can a perfect production be expected?

1.6. He rationalized acts because there were no better ones available, and they were best for the public good

Dr. Franklin rationalized his consent to the Constitution because, among other things, he expected no better and that it was of interest to the public good.

Thus, I consent to this Constitution because I expect no better and because I am not sure that it is not the best. The opinions I have had of its errors I sacrifice to the public good.

1.7. He used state-of-the-art decision-making methods (that were available at the time)

In 1780, Joseph Priestley asked Benjamin Franklin for help with a decision. His response is present in the Library of Congress⁵, where he (correctly) noted that he could not tell Priestly what to do but how he (Franklin) made decisions. Dr. Franklin also noted that decision-making is difficult and comes with challenges. He replied,

In the Affair of so much Importance to you, wherein you ask my Advice, I cannot, for want of sufficient Premises, advise you what to determine, but if you please, I will tell you how.

When these difficult Cases occur, they are difficult chiefly because while we have them under Consideration, all the Reasons pro and con are not present to the Mind at the same time; but sometimes one Set present themselves, and at other times another, the first being out of Sight. Hence the various Purposes or Inclinations that alternately prevail and the Uncertainty that perplexes us.

1.8. He recognized our cognitive limitations in recalling all details of a decision at once

Benjamin Franklin also recognized our cognitive limitations and inability to recollect all the information at once. He wrote,

⁵ https://founders.archives.gov/documents/Franklin/01-19-02-0200

To get over this, my Way is to divide half a Sheet of Paper by a Line into two Columns, writing over the one Pro, and over the other Con.

Then during three or four Days Consideration I put down under the different Heads short Hints of the different Motives that at different Times occur to me for or against the Measure.

He offered guidance on how to reduce the complexity of the problem:

When I have thus got them all together in one View, I endeavour to estimate their respective Weights; and where I find two, one on each side, that seem equal, I strike them both out: If I find a Reason pro equal to some two Reasons con, I strike out the three. If I judge some two Reasons con equal to some three Reasons pro, I strike out the five; and thus proceeding I find at length where the Ballance lies; and if after a Day or two of farther Consideration nothing new that is of Importance occurs on either side, I come to a Determination accordingly.

Benjamin Franklin offered a method that first lists the pros and the cons. This goes on for three or four days until he is able to recollect the most important elements. He then simplifies the complexity of the situation by canceling the pros and cons of equal importance. When a pro is as important as a con, the two items cancel, and you can simplify the problem by not having to think about them. Sometimes a pro can cancel two or more cons or vice versa. When pros and cons have been canceled, there is less complexity and more clarity about the best alternative because we have fewer items to consider.

1.9. He acknowledged the limitations of his proposed decision reasoning

Benjamin Franklin acknowledged that while his method provides clarity in some situations, it does not entail the precision of algebraic quantities that may be required. He understood the limitations of his method. He continued,

And tho' the Weight of Reasons cannot be taken with the Precision of Algebraic Quantities, yet when each is thus considered separately and

comparatively, and the whole lies before me, I think I can judge better and am less likely to take a rash Step; and in fact, I have found great Advantage from this kind of Equation, in what may be called Moral or Prudential Algebra.

And since then, the field of decision analysis and reasoning under uncertainty has developed significantly.

Reflection

Can you think of the ethical implications of using decision-making methods without mentioning their limitations?

Can you think of the ethical implications of using flawed methods of decision-making?

1.10. He observed the impacts of cognitive biases on decision-making

Benjamin Franklin understood the effects of biases (and particularly cognitive dissonance) long before the phenomenon was coined by the scientific community. The Benjamin Franklin effect is a proposed psychological phenomenon described by Franklin as follows:

He that has once done you a Kindness will be more ready to do you another, than he whom you yourself have obliged.

The idea is that a person who has done you a favor, even if they did not like you previously, will be more willing to do you more favors. Franklin explained how he used that phenomenon to his advantage against a rival legislator in Pennsylvania:

Having heard that he had in his library a certain very scarce and curious book, I wrote a note to him, expressing my desire of perusing that book, and requesting he would do me the favour of lending it to me for a few days. He sent it immediately, and I return'd it in about a week with another note, expressing strongly my sense of the favour. When we next met in the House, he spoke to me (which he had never done before), and with

great civility; and he ever after manifested a readiness to serve me on all occasions, so that we became great friends, and our friendship continued to his death.

Reflection:

Can you think of the ethical implications of exploiting individuals' cognitive biases?

200+ Years Later . . .

Chapter 2

Bill Gates, Microsoft, and the Most Influential Foundation in History

I have an obligation to return my resources to society in ways that have the greatest impact for reducing suffering and improving lives.

−Bill Gates's personal value trade-offs in 2022



Figure 1.2. Bill Gates made six predictions in January 1998.

2.1. In 1998, Bill Gates made six predictions at Stanford—five of them came true

In January 1998, I asked Bill Gates in Memorial Auditorium at Stanford University three questions (figure 1.2):

- 1. Where do you expect to see Microsoft in the next five years?
- 2. What do you think about Microsoft's competitive advantage and current competition?
- 3. What are your views that Netscape has just been offered for free in response to Internet Explorer being bundled with the Windows operating system?

This event occurred amid news that an investigation into the bundling of

Internet Explorer with Windows was underway. It was not the first time that an investigation into Microsoft's business decisions had been conducted: In 1992, the Federal Trade Commission began an inquiry into whether Microsoft was using its monopoly power in the PC operating system market. The investigation was closed with an agreement from Microsoft not to tie other Microsoft products to the sale of Windows. However, Microsoft remained free to integrate additional features into the operating system.

Bill Gates responded to my three questions. Many individuals in his place might have said, "Oh, there has been an investigation, so I cannot answer that." He could have said that, but he did not. His responses are below.

2.2. In response to the three questions, Bill Gates made six predictions

Prediction 1: Gates replied, "Windows and Office will still be our main products." He was right!

Prediction 2: In response to competition, Gates added, "If we slow down and don't do a good job, the companies that are most likely to replace us are companies whose names we don't know today—start-up companies who would take a new approach of doing something in a different way, the same way that Microsoft did when it came into business." He was right! Microsoft has not been replaced by a company whose name was known at the time, nor does there appear to be any company capable of replacing Microsoft in the near future.

Prediction 3: Bill Gates said, "The internet will be more mainstream." He was right!

Prediction 4: Gates took a shiny silver-looking personal digital assistant (PDA) from his pocket and said, "Devices like these will become more popular. They will change the way we do business and see the internet." This was about a decade before the birth of the iPhone. He was right!

Prediction 5: Gates added that it wouldn't be long until computers will respond to spoken words. "Speech will become a standard part of the interface," making them simpler to operate and more accessible. He was right!

⁶ https://en.wikipedia.org/wiki/United_States_v._Microsoft_Corp.

Prediction 6: In response to the question about Internet Explorer bundled with Windows, Gates replied,

As far as browsers go, basically, nobody has ever paid for a browser.

He then asked an auditorium full of students,

Did anybody here pay for a browser?

When nobody raised their hand, he added,

I am sorry, you should get a refund. It's a little bit of an accounting trick that they ever allocated money in that direction because you could always download the thing, and they would never come back to you after ninety days and say, "Hey, the ninety days are out, and you should pay money for this thing."

Gates added this assertion:

Browsers have always been a feature, not a product.

Bill Gates then predicted what would happen with the legal system.

The Department of Justice (DOJ) will soon come to the realization that their actions would lead to a suboptimal product.

And regarding government actions leading to a crippled product, he added,

We are quite confident that won't happen.

Reflection

Compare Bill Gates' statement "We are quite confident that won't happen" to Benjamin Franklin's statement "[I]n this world, nothing is certain except death and taxes".

2.3. What is the importance of thinking about the future and unanticipated consequences?

In response to my third question about competition, Bill Gates added,

There is competition out there, lots of competition. We've got Sun, who thinks the PC is an evil thing. We've got IBM, who still likes to sell high-priced computers. We've got any number of companies.

He also added,

Nobody thought we would be the ones to redefine how computing would work and make it so you can exchange different hardware and still run the same software on those machines. That was just heresy. People would have laughed at that idea.

Gates further added,

It is not clear that anybody would have even worked with us if they had known that would be the eventual impact of running standards like our operating system on those machines.

This last statement is an example of what we shall refer to as "unanticipated consequences." It also demonstrates how different people have different beliefs and perspectives about the future.

Reflection:

Can you ignore uncertainty when thinking about the future?

- How would you rate Bill Gates's predictions compared with others in the industry then?
- Was reasoning with uncertainty important for technology companies in that environment? Is it necessary today?
- Is thinking about the future important for ethical decision-making?

2.4. Can the government affect decision-making (for better or worse)?

Bill Gates received another question about how he felt when he got up every morning, knowing that the Department of Justice was investigating him. Gates replied, "One of the privileges of success in this country is government scrutiny." He added that investigating the computer industry was more interesting than other sectors, such as bread, and he asked,

If you were the DOJ, would you investigate bread or computer software?

He added that there was a certain irony in the government's actions against Microsoft because the software industry was the most competitive in the country, and it created jobs. Gates added,

The question is whether the DOJ wants us to cripple our products or not. We have to do a better job at articulating what we are doing and creating public awareness.

2.5. Can different stakeholders have different perspectives about the same situation?

There were many stakeholders with different perspectives in this situation.

Bill Gates: Make a better, cheaper product. A browser was a feature of a product, not a product by itself. Government intervention might cripple the product.

Netscape: Given the user base, the bundling of Internet Explorer with the Windows operating system meant that Netscape would probably be out of business. This marked the beginning of overtaking the browser market from Netscape. Netscape was eventually sold to America Online (AOL)⁷.

Consumers: They would appreciate not having to pay for a browser, as Gates said, "Did anybody here pay for a browser? I am sorry, you should get a refund." Consumers would also appreciate a better and cheaper product. However, consumers might have concerns about price gouging after/if a firm becomes a monopoly.

⁷ https://time.com/3857628/aol-1985-history/

Other companies: Microsoft could be a growing threat to their business. Gates said, "Nobody would have worked with us if they knew the impacts of our operating system."

Government and the legal system: Antitrust violations are illegal.

2.6. Can the environment impact your response? Gates's deposition made the judge laugh in court

Five months later, in May 1998, the Department of Justice and the district attorneys of twenty states sued Microsoft for using its monopoly power. Bill Gates's deposition by the Department of Justice was on August 28, 1998, several months after the presentation at Stanford. Gates's deposition, which his legal team may have influenced, gave the world a different image of Bill Gates than the one they were accustomed to and responses that were different in nature from the responses at Stanford.

CNN reported,

Gates's deposition transcript made the judge laugh in court.8

The following is a sample exchange with David Boies, the attorney for the Department of Justice. We shall refer to David Boies in a future chapter. The conversation here relates to an email Bill Gates had sent about the importance of the internet browser share to Microsoft. Compare Bill Gates's willingness to respond to questions in the deposition with his readiness to respond at Stanford.

Importance: High

Boies: Okay. Let me ask you to look at Exhibit 401. This is a message from you to Mr. Ballmer and Mr. Chase with a copy to Mr. Maritz and some other people also given copies dated August 15, 1997, at 4:07 p.m. on the subject of IBM and Netscape, correct?

Gates: Uh-huh.

⁸ http://edition.cnn.com/TECH/computing/9811/17/judgelaugh.ms.idg/

https://www.washingtonpost.com/wp-srv/business/longterm/microsoft/ documents/gates0902p2.htm

Boies: And you type in here "Importance: High."

Gates: No.

Boies: No?

Gates: No, I didn't type that.

Boies: Who typed in "High"?

Gates: A computer.

Boies: A computer. Why did the computer type in "High"?

Gates: It's an attribute of the e-mail.

Boies: And who set the attribute of the e-mail?

Gates: Usually, the sender sends that attribute.

Boies: Who is the sender here, Mr. Gates?

Gates: In this case, it appears I'm the sender.

Boies: Yes. And so you're the one who set the high designation of impor-

tance, right, sir?

Gates: It appears I did that. I don't remember doing that specifically.

The conversation continues: *I don't know what you mean "concerned."*

Boies: What non-Microsoft browsers were you concerned about in January

of 1996?

Gates: I don't know what you mean "concerned."

Boies: What is it about the word "concerned" that you don't understand?

Gates: I'm not sure what you mean by it.

Boies: Is-

Gates: Is there a document where I use that term?

Boies: Is the term "concerned" a term that you're familiar with in the English language?

Gates: Yes.

Boies: Does it have a meaning that you're familiar with?

Gates: Yes.

The conversation goes on: Internet browser share does not involve other companies.

Boies: Now, when you were referring there to Internet browser share, what were the companies who were included in that?

Gates: There's no companies included in that.

Boies: Well, if you're winning browser share, that must mean that some other company is producing browsers and you're comparing your share of browsers with somebody else's share of browsers; is that not so, sir?

Gates: You asked me if there are any companies included in that and now-I'm very confused about what you're asking.

Boies: All right, sir, let me see if I can try to clarify. You say here, "Winning Internet browser share is a very, very important goal for us." What companies were supplying browsers whose share you were talking about?

Gates: It doesn't appear I'm talking about any other companies in that sentence.

Boies: Well, sir, is a market share something that is compiled only for one company? I understand if a company has a monopoly, that may be so, but in an usual situation where a company does not have a monopoly, share ordinarily implies comparing how much of a product one company has with how much of a product another company has, correct?

Gates: Yes.