Business Ethics Concepts & Cases

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Chapter One

Basic Principles: Ethics and Business

Ethics and Morality

- ## Ethics is the study of morality.
  - Morality = The standards that an individual or a group has about what is right and wrong, or good and evil.
    - Example: B.F. Goodrich A7-D Fraud
  - Moral Standards = norms about the kinds of actions that are morally right and wrong, as well as the values placed on what is morally good or bad.
  - Non-Moral Standards: The standards by which we judge what is good or bad and right or wrong in a non-moral way.

Five Characteristics of Moral Standards

- Involve significant injuries or benefits
- Not established by authority figures
- Should be preferred to other values including self-interest
- Based on impartial considerations
- Associated with special emotions and vocabulary.

What is Business Ethics?

- Broadly, ethics is the discipline that examines one's moral standards or the moral standards of a society to evaluate their reasonableness and their implications for one's life.

- Business ethics is a specialized study of moral right and wrong that concentrates on moral standards as they apply to business institutions, organizations, and behavior.

Types of Ethical Issues

- Systemic—ethical questions about the social, political, legal, or economic systems within which companies operate.

- Corporate—ethical questions about a particular corporation and its policies, culture, climate, impact, or actions.

- Individual—ethical questions about a particular individual's decisions, behavior, or character.

Can ethical qualities be attributed to corporations?

- View #1: corporations, like people, act intentionally and have moral rights, and obligations, and are morally responsible.

- View #2: it makes no sense to attribute ethical qualities to corporations since they are not like people but more like machines; only humans can have ethical qualities.

- View #3: humans carry out the corporation's actions so they are morally responsible for what they do and ethical qualities apply in a primary sense to them; corporations have ethical qualities only in a derivative sense.

Arguments Against Business Ethics

- In a free market economy, the pursuit of profit will ensure maximum social benefit so business ethics is not needed.

- A manager's most important obligation is loyalty to the company regardless of ethics.

- So long as companies obey the law they will do all that ethics requires.

Arguments Supporting Business Ethics

- Ethics applies to all human activities.

- Business cannot survive without ethics.

- Ethics is consistent with profit seeking.

- Customers, employees, and people in general care about ethics.

- Studies suggest ethics does not detract from profits and seems to contribute to profits.

Corporate Social Responsibility

- Corporate social responsibility refers to a corporation's responsibilities or obligations toward society.

- Business ethics is both a part of corporate social responsibility and part of the justification for corporate social responsibility.

- Shareholder vs. Stakeholder Theory

New Issues in Business Ethics

- Advances in technology often create new issues for business ethics.
  - Currently, advances in information technology are creating new issues in business ethics.

- Increasing connections between the economic and social systems of different nations, known as "globalization", has also created new issues in business ethics.

Resolving Cross-Cultural Ethical Differences

- Moral Relativism = the theory that there are no ethical standards that are absolutely true and that apply or should be applied to the companies and people of all societies.

- Objections to Moral Relativism:
  - Some moral standards are found in all societies;
  - Moral differences do not logically imply relativism;
  - Relativism has incoherent consequences;
  - Relativism privileges whatever moral standards are widely accepted in a society.

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Resolving Cross-Cultural Ethical Differences

- According to the Integrative Social Contracts Theory (ISCT), there are two kinds of moral standards:

  – Hypernorms: those moral standards that should be applied to people in all societies.

  – Microsocial norms: those norms that differ from one community to another and that should be applied to people only if their community accepts those particular norms.

Kohlberg's Three Levels of Moral Development

- First Level: Pre-conventional Stages
  - Stage One: punishment and obedience orientation
  - Stage Two: instrumental and relative orientation
- Second Level: Conventional Stages
  - Stage One: interpersonal concordance orientation
  - Stage Two: law and order orientation
- Third Level: Post-conventional Stages
  - Stage One: social contract orientation
  - Stage Two: universal principles orientation

Moral Reasoning

- The reasoning process by which human behaviors, institutions, or policies are judged to be in accordance with or in violation of moral standards.

- Moral reasoning involves:
  - The moral standards by which we evaluate things
  - Information about what is being evaluated
  - A moral judgment about what is being evaluated.

Four Steps Leading to Ethical Behavior

- Step One: Recognizing a situation is an ethical situation.
  - Requires framing it as one that requires ethical reasoning
  - Situation is likely to be seen as ethical when:
    - involves serious harm that is concentrated, likely, proximate, imminent, and potentially violates our moral standards
  - Obstacles to recognizing a situation:
    - Euphemistic labeling, justifying our actions, advantageous comparisons, displacement of responsibility, diffusion of responsibility, distorting the harm, and dehumanization, and attribution of blame.

Four Steps Leading to Ethical Behavior

- ## Step Two: Judging the ethical course of action.

  - Requires moral reasoning that applies our moral standards to the information we have about a situation.

  - Requires realizing that information about a situation may be distorted by biased theories about the world, about others, and about oneself.

Four Steps Leading to Ethical Behavior

- Step Three: Deciding to do the ethical course of action.
  - Deciding to do what is ethical can be influenced by:
    - The culture of an organization—people's decisions to do what is ethical are greatly influenced by their surroundings.
    - Moral seduction—organizations can also generate a form of "moral seduction" that can exert subtle pressures that can gradually lead an ethical person into decisions to do what he or she knows is wrong.

Four Steps Leading to Ethical Behavior

- Step Four: Carrying out the ethical decision.

  - Factors that influence whether a person carries out their ethical decision include:

    - One's strength or weakness of will

    - One's belief about the locus of control of one's actions

Moral Responsibility

- Three Components of Moral Responsibility
  - Person caused or helped cause the injury, or failed to prevent it when he or she could and should have (causality).
  - Person did so knowing what he or she was doing (knowledge).
  - Person did so of his or her own free will (freedom).

Factors that Mitigate Moral Responsibility

- Minimal contribution
  - In general, the less one's actual actions contribute to the outcome of an act, the less one is morally responsible for that outcome.

- Uncertainty
  - A person may be fairly convinced that doing something is wrong yet may still be doubtful about some important facts, or may have doubts about the moral standards involved, or doubts about how seriously wrong the action is.

- Difficulty
  - A person may find it difficult to avoid a certain course of action because he or she is subjected to threats or duress of some sort or because avoiding that course of action will impose heavy costs on the person.