Week 1
An Overview of Ethics

We Live in Communities
(London, England at night from space)

Courtesy of NASA

Society

- Association of people organized under a system of rules
- Rules: advance the good of members over time

The Ethical Point of View

- Most people shares "core values", desiring:
  - Life
  - Happiness
  - Ability to accomplish goals
- Two ways to view world
  - Selfish point of view: consider only your own self and your core values
  - Ethical point of view: respect other people and their core values

What is Ethics?

- **Set of rules/ code of behavior that is <u>defined by the group to which an individual belongs</u>**

- **Establishes boundaries of <u>generally accepted behavior</u> conforms to <u>generally accepted norms</u>, which <u>may change over time</u> to meet the evolving needs of the society or a group of people (who share similar laws, traditions, and values that provide structure to enable them to live in an organized manner).**

- **Help members of a group understand their roles and responsibilities so they can work together to achieve mutual benefits such as security, access to resources, and the pursuit of life goals.**

  ❖ **The ethics of the law profession**

  ❖ **The ethical standards of the medical profession**

What are Morals?

• **The personal principles upon which an individual bases his or her decisions about what is right and what is wrong.**

• **They are core beliefs formed and adhered to by an individual.**

• **Your moral principles are statements of what you believe to be rules of right conduct.**

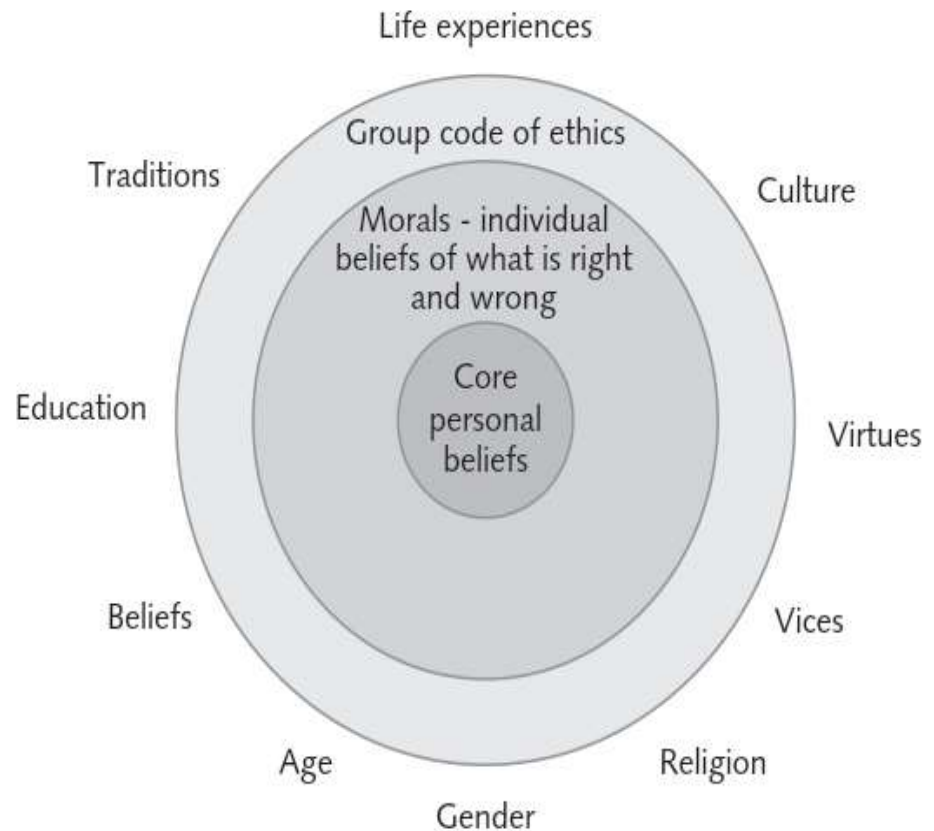• **Form basis for an established consensus**

Software piracy —
Attitudes range from strong opposition to acceptance of the practice as a standard approach to conducting business.
The global rate of software piracy stands at around 42 percent

What is Ethics? (cont'd.)

- Morality may vary by:

  - Age

  - Cultural group

  - Ethnic background

  - Religion

  - Life experiences

  - Education

  - Gender

Life experiences

Traditions

Group code of ethics

Culture

Morals - individual
beliefs of what is right
and wrong

Education

Core
personal
beliefs

Virtues

Beliefs

Vices

Age

Religion

Gender

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What are Laws?

Law is a system of rules that tells us what we can and cannot do.

Laws are enforced by a set of institutions (the police, courts, law-making bodies).

Violation of a law can result in censure, fines, and/or imprisonment.

Sometimes the laws of these various jurisdictions are in conflict, creating confusion and uncertainty. In addition, laws are not static; new laws are constantly being introduced and existing laws repealed or modified.

As a result, the precise meaning of a particular law may be different in the future from what it is today.

Other aspects of Ethics

- Virtues

  - Habits that incline people to do what is acceptable

- Vices

  - Habits of unacceptable behavior

- Virtues and vices define a personal value system

  - Scheme of moral values

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The Difference Between Morals, Ethics & Laws

- Morals: one's personal beliefs about right and wrong

- Ethics: standards or codes of behavior expected of an individual by a group

- Law: system of rules that tells us what we can and cannot do

  - Laws are enforced by a set of institutions

  - Legal acts conform to the law

  - Moral acts conform to what an individual believes is the right belief of right and wrong
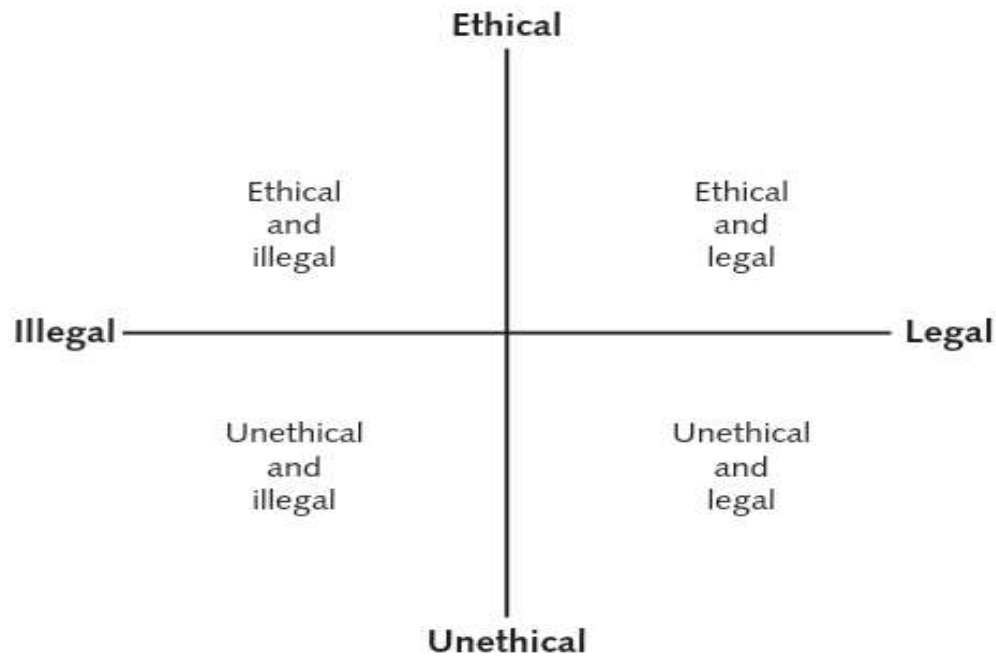
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FIGURE 1-2   Legal versus ethical

CRITICAL THINKING EXERCISE: LEGAL VERSUS ETHICAL

Give an example of an action that fits in each of the four quadrants of the legal versus ethical chart shown in Figure 1-2—ethical and legal, ethical and illegal, unethical and illegal, and unethical and legal.

The Importance of Integrity

- Integrity is a cornerstone of ethical behaviour

- People with integrity:

  - Act in accordance with a personal code of principles

  - Extend to all the same respect and consideration

  - Apply the same moral standards in all situations

- Lack of integrity emerges if you apply moral standards differently according to situation or people involved

- Many ethical dilemmas are not as simple as right versus wrong

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Ethics in the Business World

- Both the likelihood and the negative impact of inappropriate behavior have increased

- Several trends have increased the likelihood of unethical behavior:

    - Globalization creating complex work environments

    - Organizations challenged to maintain profits / revenue

    - Heightened vigilance by:

        - Employees

        - Shareholders

        - Regulatory agencies

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Why Study Ethics?

- Ethics: a way to decide the best thing to do
- New problems accompany new technologies
- "Common wisdom" may not exist for novel situations brought about by new technologies

Ethics in the Business World (cont'd.)

- Recent scandals in IT companies

    - Google Lawsuit

    - Ban on Tiktok

    - Satyam Computers

    - Axact Pvt Limited

- Not just executives, but even lower-level employees, can find themselves in the middle of an ethical dilemma

Why Fostering Good Business Ethics is Important

- To gain the good will of the community

- To create an organization that operates consistently

- To foster good business practices

- To protect organization/employees from legal action

- To avoid unfavorable publicity

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Gaining the Good Will of the Community

- Organizations have fundamental responsibilities to society

    - Declared in formal statement of company's principles or beliefs

    - Include:

        - Making contributions to charitable organizations and non-profit institutions

        - Providing benefits for employees in excess of legal requirements

        - Choosing economic opportunities that might be more socially desirable than profitable

Gaining the Good Will of the Community (cont'd.)

- Socially responsible activities create good will

- Good will makes it easier for corporations to conduct business

Creating an Organization That Operates Consistently

Consistency ensures that employees:

Know what is expected of them

Can employ the organization's values to help them in decision making

Consistency also means that shareholders, customers, suppliers, and community know what they can expect of the organization

Good ethics means good business/improved profits

Companies that:

Produce safe and effective products

Avoid costly recalls and lawsuits

Provide excellent service that retains customers

Develop and maintain strong employee relations

Suffer lower turnover rates

Enjoy better employee morale

Fostering Good Business Practices (cont'd.)

Suppliers/business partners place priority on working with companies that operate in a fair and ethical manner

- Bad ethics means bad business/waning profits

    Bad ethics can lead to bad business results

    Bad ethics can have a negative impact on employees

U.S. Supreme Court established that an employer can be held responsible for the acts of its employees

This principle is called *respondeat superior*

Coalition of several legal organizations argues establishment of ethics and compliance programs should reduce criminal liability of organization

Others argue company officers should not be given light sentences if their ethics programs are ineffective

Public reputation of company strongly influences:

Value of its stock

How consumers regard products and services

Degree of oversight received from government

Amount of support and cooperation received

Organizations are motivated to build strong ethics programs to avoid negative publicity

Characteristics of a successful ethics program

Employees willing to seek advice about ethical issues

Employees feel prepared to handle situations that could lead to misconduct

Employees are rewarded for ethical behavior

Employees are not rewarded for success obtained through questionable means

Employees feel positive about their company

Appointing a Corporate Ethics Officer

Corporate ethics officer

Provides vision and leadership in business conduct

Should be well-respected, senior-level manager who reports directly to the CEO

Ensures ethical procedures are put in place

Creates and maintains ethics culture

Is responsible for key knowledge/contact person for ethical issues

Establishing a Corporate Code of Ethics (cont'd.)

Cannot gain company-wide acceptance unless it is:

Developed with employee participation

Fully endorsed by organization's leadership

Must continually be applied to company's decision making and emphasized as part of its culture

Breaches in the code of ethics must be identified and dealt with appropriately

Establishing a Corporate Code of Ethics (cont'd.)

1. Intel conducts business with honesty and integrity
2. Intel follows the letter and spirit of the law
3. Intel employees treat each other fairly
4. Intel employees act in the best interests of Intel and avoid conflicts of interest
5. Intel employees protect the company's assets and reputation

FIGURE 1-4 Intel's five principles of conduct

Credit: Five Principals of Conduct. © Intel Corporation. Reprinted by permission.

Conducting Social Audits

Social audit

Reviews how well organization is meeting ethical and social responsibility goals

Communicates new goals for upcoming year

Shared broadly with employees, shareholders, investors, market analysts, customers, suppliers, government agencies, and local communities

Requiring Employees to Take Ethics Training

Personal convictions improved through education

Comprehensive ethics education program encourages employees to act responsibly and ethically

Often presented in small workshop formats

Employees apply code of ethics to hypothetical but realistic case studies

Demonstration of recent company decisions based on principles from the code of ethics

- Critical that training increase the percentage of employees who report incidents of misconduct

- Employees must:
  - Learn effective ways of reporting incidents
  - Be reassured their feedback will be acted on without retaliation

Including Ethical Criteria in Employee Appraisals

Only 43% of companies include ethical conduct in employee's performance appraisal

Ethical criteria include:

Treating others fairly and with respect

Operating effectively in a multicultural environment

Accepting personal accountability

Continually developing themselves and others

Operating openly and honestly with all

Creating an Ethical Work Environment

Good employees may make bad ethical choices

May be encouraged to do "whatever it takes" to get the job done

Employees need a knowledgeable resource to discuss perceived unethical practices

- A manager
- Legal or Internal Audit Department
- Business Unit's legal counsel
- Anonymously through internal Web site

Creating an Ethical Work Environment (cont'd.)

TABLE 1-3   Manager's checklist for establishing an ethical work environment

| Question	Yes	No
Does your organization have a code of ethics?		
Do employees know how and to whom to report any infractions of the code of ethics?		
Do employees feel that they can report violations of the code of ethics safely and without fear of retaliation?		
Do employees feel that action will be taken against those who violate the code of ethics?		
Do senior managers set an example by communicating the code of ethics and using it in their own decision making?		
Do managers evaluate and provide feedback to employees on how they operate with respect to the values and principles in the code of ethics?		
Are employees aware of sanctions for breaching the code of ethics?		
Do employees use the code of ethics in their decision making?		

Source Line: Course Technology/Cengage Learning.
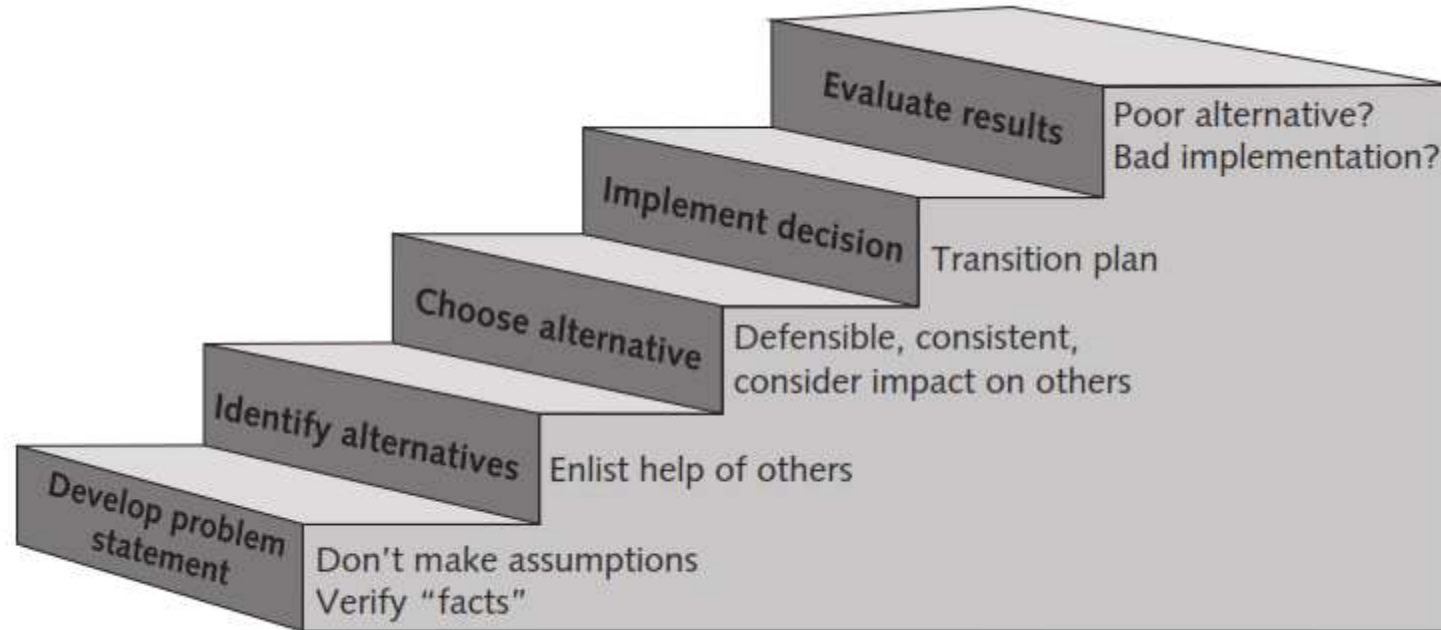
FIGURE 1-7   A five-step ethical decision-making process

Clear, concise description of the issue

Answers these questions:

What causes people to think there is a problem?

Who is directly affected by the problem?

Is there anyone else affected?

How often does it occur?

What is the impact of the problem?

How serious is the problem?

Most critical step in decision-making process

- Good problem statement: Our product supply organization is continually running out of stock of finished products, creating an out-of-stock situation on over 15 percent of our customer orders, resulting in over $300,000 in lost sales per month.
- Poor problem statement: We need to implement a new inventory control system. (This is a possible solution, not a problem statement. Pursuing this course of action will surely be expensive and time consuming and, may or may not, solve the underlying problem.)
- Poor problem statement: We need to install cameras and monitoring equipment to put an end to theft of finished product in the warehouse. (Again, this is a possible solution, not a problem statement. And are there sufficient facts to support the hypothesis of theft in the warehouse?)

Identify, Evaluate, and Choose an Alternative

Enlist help to brainstorm alternative solutions

Evaluate by weighing laws, guidelines, and principles

Consider likely consequences of each alternative

Alternative selected must:

- Be ethically and legally defensible

- Be consistent with policies and code of ethics

- Take into account impact on others

- Provide a good solution to problem

Implement the Decision and Evaluate the Results

Implement the decision

Efficient, effective, timely implementation

Communication is key for people to accept change

Transition plan made easy and pain-free

Evaluate the results

Monitor results for desired effect

Observe impact on organization and stakeholders

Return to "Develop problem statement" step if further refinements may be needed

Common Approaches to Ethical Decision Making

TABLE 1-4   Four common approaches to ethical decision making

Approach to dealing with moral issues	Principle
Virtue ethics approach	The ethical choice best reflects moral virtues in yourself and your community.
Utilitarian approach	The ethical choice produces the greatest excess of benefits over harm.
Fairness approach	The ethical choice treats everyone the same and shows no favoritism or discrimination.
Common good approach	The ethical choice advances the common good.

Source Line: Course Technology/Cengage Learning.

Virtue ethics approach

Focuses on concern with daily life in a community

People guided by virtues to reach "right" decision

More effective than following set of principles/rules

Problems

Does not provide guide for action

Virtue cannot be worked out objectively; depends on circumstances

Utilitarian approach

Chooses action that has best overall consequences

Finds the greatest good by balancing all interests

Fits concept of value in economics and the use of cost-benefit analysis

Problems

Measuring and comparing values is often difficult

Predicting resulting benefits and harm is difficult

Fairness approach

Focuses on fair distribution of benefits/burdens

Guiding principle is to treat all people the same

Problems

Decisions can be influenced by personal bias

Others may consider the decision unfair

Common Good Approach

Common good approach

Work together for common set of values and goals

Implement systems that benefit all people

Problems

Consensus is difficult

Some required to bear greater costs than others

Assignment Zero

Read "the little book of plagiarism" published by HEC.