LESSON 01
INTRODUCTION
Let's begins with a case study of Merck and Company, discussing how they dealt with the problem of developing a drug that was potentially life-saving but which presented them with little, if any, chance of earning a return on their investment.
The drug was Ivermectin, one of their best-selling animal drugs. The potential market for the drug was those suffering from river blindness an agonizing disease afflicting about 18 million impoverished individuals in Africa and Latin America. The disease is particularly horrendous: worms as long as two feet curl up in nodules under an infected person's skin, slowly sending out offspring that cause intense itching, lesions, blindness, and ultimately death (though many sufferers actually commit suicide before the final stage of the disease).
The need for the drug was clear. However, the victims of river blindness are almost exclusively poor. It seemed unlikely that Merck would ever recoup the estimated $100 million it would cost to develop the human version of the drug. Moreover, if there proved to be adverse human side effects, this might affect sales of the very profitable animal version that were $300 million of Merck's $2 billion annual sales. Finally, Congress was getting ready to pass the Drug Regulation Act, which would intensify competition in the drug industry by allowing competitors to more quickly copy and market drugs originally developed by other companies.
Questions: Was Merck morally obligated to develop this drug?
Their managers felt, ultimately, that they were. They even went so far as to give the drug away for free. This story seems to run counter to the assumption that, given the choice between profits and ethics, companies will always choose the former. The choice, however, may not be as clear-cut as this dichotomy suggests. Some have suggested that, in the long run, Merck will benefit from this act of kindness just as they are currently benefiting from a similar situation in Japan.
Even so, most companies would probably not invest in an R & D project that promises no profit. And some companies often engage in outright unethical behavior. Still, habitually engaging in such behavior is not a good long-term business strategy, and it is the view of this book that, though unethical behavior sometimes pays off, ethical behavior is better in the long run.
A more basic problem is the fact that the ethical choice is not always clear. Merck, as a for-profit corporation, has responsibilities to its shareholders to make a profit. Companies that spend all their funds on unprofitable ventures will find themselves out of business.
This book takes the view that ethical behavior is the best long-term business strategy for a company—a view that has become increasingly accepted during the last few years. This does not mean that occasions never arise when doing what is ethical will prove costly to a company. Such occasions are common in the life of a company, and we will see many examples in this book. Nor does it mean that ethical behavior is always rewarded or that unethical behavior is always punished. On the contrary, unethical behavior sometimes pays off, and the good guy sometimes loses. To say that ethical behavior is the best long-range business strategy means merely that, over the long run and for the most part, ethical behavior can give a company significant competitive advantages over companies that are not ethical. The example of Merck and Company suggests this view, and a bit of reflection over how we, as consumers and employees, respond to companies that behave unethically supports it. Later we see what more can be said for or against the view that ethical behavior is the best long-term business strategy for a company.
This text aims to clarify the ethical issues that managers of modern business organizations must face. This does not mean that it is designed to give moral advice to people in business nor that it is aimed at persuading people to act in certain moral ways. The main purpose of the text is to provide a deeper knowledge of the nature of ethical principles and concepts and an understanding of how these apply to the ethical problems encountered in business. This type of knowledge and understanding should help managers more clearly see their way through the

ethical uncertainties that confront them in their business lives—uncertainties such as those faced by the managers of Merck.

Business Issues

According to the dictionary, the term ethics has a variety of different meanings. One of its meanings is: "the principles of conduct governing an individual or a group”. We sometimes use the term personal ethics, for example, when referring to the rules by which an individual lives his or her personal life. We use the term accounting ethics when referring to the code that guides the professional conduct of accountants.

A second—and more important—meaning of ethics, according to the dictionary, is: Ethics is "the study of morality." Ethicists use the term ethics to refer primarily to the study of morality, just as chemists use the term chemistry to refer to a study of the properties of chemical substances. Although ethics deals with morality, it is not quite the same as morality. Ethics is a kind of investigation—and includes both the activity of investigating as well as the results of that investigation—whereas morality is the subject matter that ethics investigates.

Morality

So what, then, is morality? We can define morality as the standards that an individual or a group has about what is right and wrong, or good and evil. To clarify what this means, let us consider a concrete case.

Several years ago, B.F. Goodrich, a manufacturer of vehicle parts, won a military contract to design, test, and manufacture aircraft brakes for the A7D, a new airplane the Air Force was designing. Kermit Vandivier was presented with a moral quandary: he knew that Goodrich was producing brakes for the U.S. government that were likely to fail, but was required by his superiors to report that the brake passed the necessary tests. His choice was to write the false report and go against his ethical principles, or be fired and suffer the economic consequences. He chose the former, even though his moral standards were in conflict with his actions. Such standards include the norms we have about the kinds of actions we believe are right and wrong, such as "always tell the truth." As Vandivier shows, we do not always live up to our standards. In this B.F Goodrich case, Vandivier’s beliefs that it is right to tell the truth and wrong to endanger the lives of others, and his beliefs that integrity is good and dishonesty is bad, are examples of moral standards that he held. Moral standards include the norms we have about the kinds of actions we believe are morally right and wrong as well as the values we place on the kinds of objects we believe are morally good and morally band. Moral norms can usually be expressed as general rules or statements, such as “Always tell the truth,” “It is wrong to kill innocent people,” or “Actions are right to the extent that they produce happiness.” Moral values.