

Business Ethics Notes

Chapter 1

Definition:

Ethics is a set of standard, or a code, or value system work out from human reason and experience by which free human actions are determined by rights and wrong

- ❖ Learn and adapt ethics through UPBRINGING, SOCIALISATION and EXPERIENCE
- ❖ Characteristics of ethical: RIGHT, EQUITABLE, GOOD, PROPER, FAIR, JUSTICE



Important of ethics

- Corresponds to basic human needs
- Values create credibility with employees
- Values help better decision making
 - Ethics and profit
 - Protect society

- ❖ Sources of business ethics: RELIGION, CULTURAL EXPERIENCE & THE LEGAL SYSTEM

Business Theory

The Virtue Theory of Aristotle	The Deontological Theory of Kant	The Utilitarian Theory of Mill
<ul style="list-style-type: none"> ❖ Moral is vital ❖ Only good people with good character are able to do good 	<ul style="list-style-type: none"> ❖ Actions of right and wrong only can be judged by reason and an individual has the duty to act in accordance with the principles 	<ul style="list-style-type: none"> ❖ Morality should be judged by the consequences and not the action

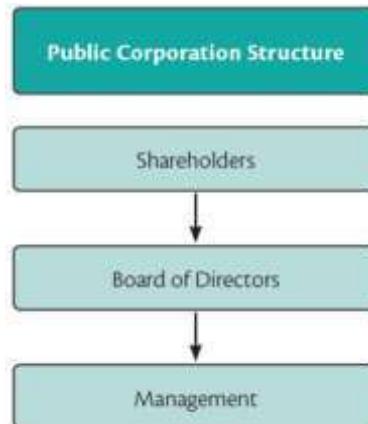
❖ Meta Ethics

- Moral Dissensus: Difference of opinions and decision making
- Ethical Relativism: The theory that holds that morality is relative to the norms of one's culture
- Unethical Behavior: COERCION, DECEPTIVE INFORMATION, THEFT, BRIBERY

Corporate Governance

- Refers to how a board of directors steers a corporation on behalf of its shareholders.
- The **process and structure** used to **direct and manage** business and affairs of the company towards **enhancing** business **prosperity** and corporate **accountability** with the ultimate objective of realizing **long term shareholder value**, whilst taking into account the interests of other stakeholders

Public Listed Company



- Managers and Shareholders conflict due to difference in interest towards the goal of company
- Concentrated Ownership: Wholly the shares by the family members
- Hybrid Approach to improve CG in PLC
 - o CG was lacking, thus need to set standards for PLCs to implement
 - o Flexible implementation due to varying needs, size of business and financial resources

Malaysian Code on Corporate Governance



Theories of Corporate Governance

Agency Theory

- Agency relationship exists when one party (principal) appoints the other party (agent) to act or perform task on his behalf
- Trust is developed based on remuneration and monitoring
- Trusting relationship comes with fiduciary duty

Stakeholder Theory

- Stakeholder is any group that has a claim or interest in operations of a company that can affect or be affected by company's policies or activities
- The company serves a broader objective – must make profit for owners to survive and at same time balance this interest with welfare of stakeholders

Property Rights Theory

- The company is a legal entity that brings together various constituents to conduct a business

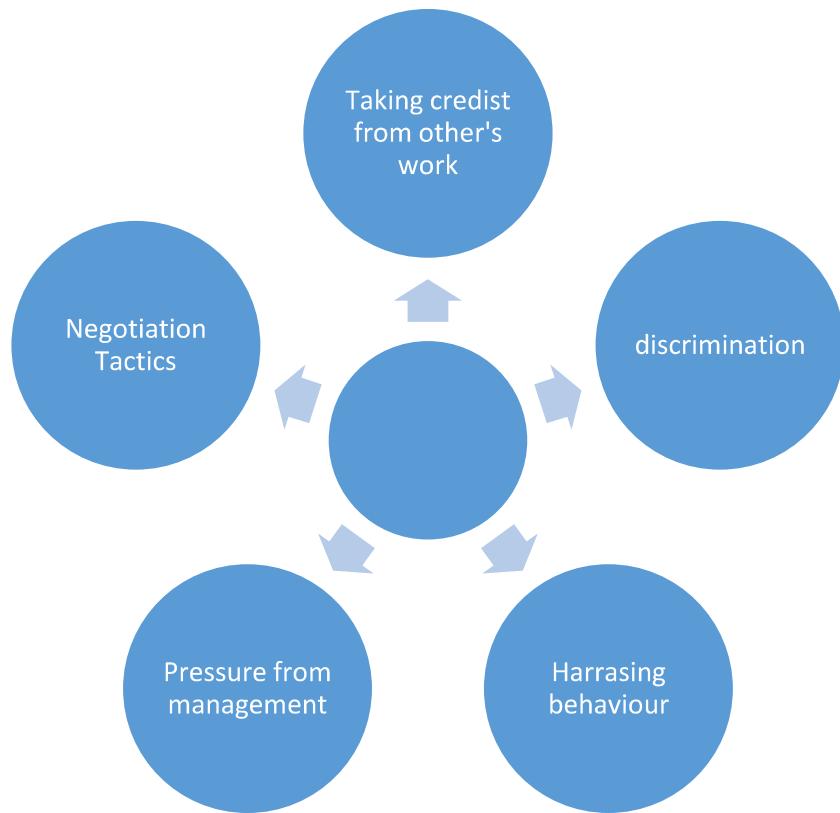
Social Institution Theory

- The company needs to serve both the interests of the entire society and the shareholders.

Leadership and Ethics

- A board has both leadership and control roles.
- Leadership role: supervises formulation and implementation of business strategy.
- Control role: monitors performance and activities of professional managers
- The board of directors enjoy independence from influence and control of professional managers. This is achieved by:
 - o Leadership structure: different individuals holding Chairman and CEO posts, which will prevent unfettered powers in one person
 - o Appointing sufficient number of independent directors
 - o Chairman should be an independent director

Ethical Dilemmas



THREE PHILOSOPHICAL APPROACHES TO ENVIRONMENTAL ETHICS

Anthropocentric:

In anthropocentric or human-centred ethics, only humans have moral standing, and responsibilities toward the environment are cast in terms of whether actions will benefit or harm human existence now and in the future.

Animal rights ethics:

In addition to humans, animals have moral standing in the animal rights ethical view. Some animal rights ethicist believe that all animals have at least some moral standing on the grounds that all animals can experience pleasure and pain;

Ecocentrism:

Under ecocentrism, the environment as a whole has moral standing, and humans have a moral obligation to protect the environment, regardless of whether people or animals benefit or suffer from environmental damage