

Business Ethics

SPROM-OLF - Organisation, Leadership, and Change Management
2023 Autumn term



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SPROM-OLF_HT2023 contents

1. Economic foundations; Organisation Theory

2. Leadership

3. Entrepreneurship; Teams & Projects

4. Change Management

5. Business Ethics; course summary



Ethics, leadership, and project management

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Overview

1. Philosophy
2. More philosophy
3. Codes of conduct
4. Other moral agents / frameworks
5. Other (similar) approaches
6. Example: Ethics and AI
7. Questions?

What use is philosophy?

Philosophy provides models of how to think about what is right/wrong.

A long debate has established the weak points of different approaches so that you can quickly identify weaknesses by category of argument.

BUT there is little or no guidance on actual real-life situations!



Philosophy

1. Consequentialism
2. Deontology (duty ethics)
3. Virtue ethics



Consequentialism

Morality is ALL about producing the right kinds of "overall consequences" which means everything the action brings about, including the action itself.



Consequentialism is NOT about

1. Doing one's duty
2. Respecting rights
3. Obeying nature or God
4. Following one's heart
5. Actualizing one's own potential
6. Being reasonable



Utilitarianism

(most famous form of consequentialism)

Maximise the benefit for most number of people.

The most pragmatic applications are

- cost-benefit
- risk analysis



Example

In 2014, GM ordered the recall of 2.6 million small cars because of faulty ignition switches that have been linked to at least 97 deaths since 2005.

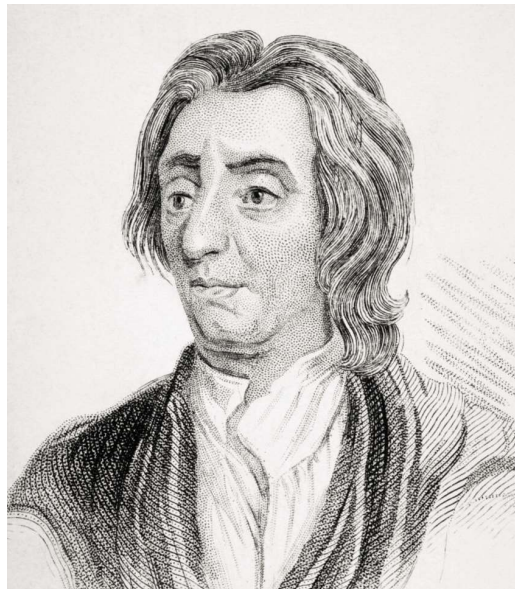
Evidence has emerged that GM knew about the faulty switches since at least 2003 — but had been slow to fix the problem, possibly because it would have cost too much.



Deontology – Ethics of Duty

Simplified – to follow rules.

Common examples are the theories of John Locke and Immanuel Kant. These are non-consequentialist ethics.



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Contemporary application

Kant's categorical imperative:

Act according to a rule you think should be a general law.



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What if the rule is wrong?

The defense of Eichmann (the project manager of the Holocaust) was that he was “just following orders”.

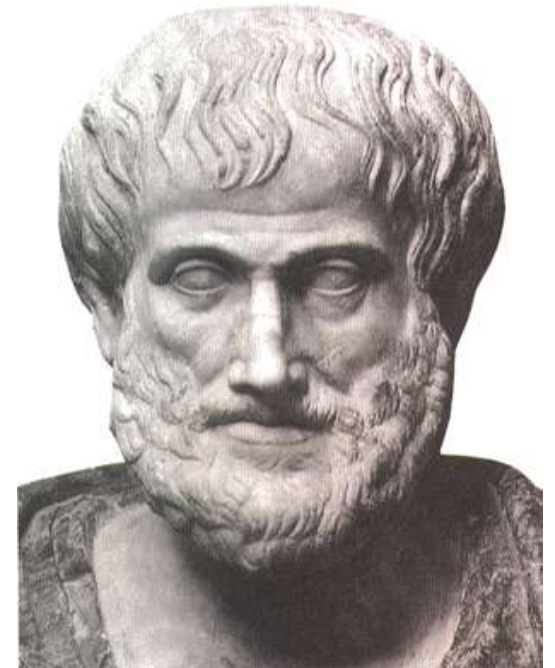
The defense of lawyers in the Third Reich was that they were just implementing the law.

Gustav Radbruch, German lawyer, formulated a principle that you could not apply a law if it made the application of law unequal. (internal inconsistency, not a higher law)



Virtue ethics – virtuous man

1. Do not aim primarily to identify universal principles that can be applied in any moral situation.
2. Emphasizes the role of character and virtue – being a good person.



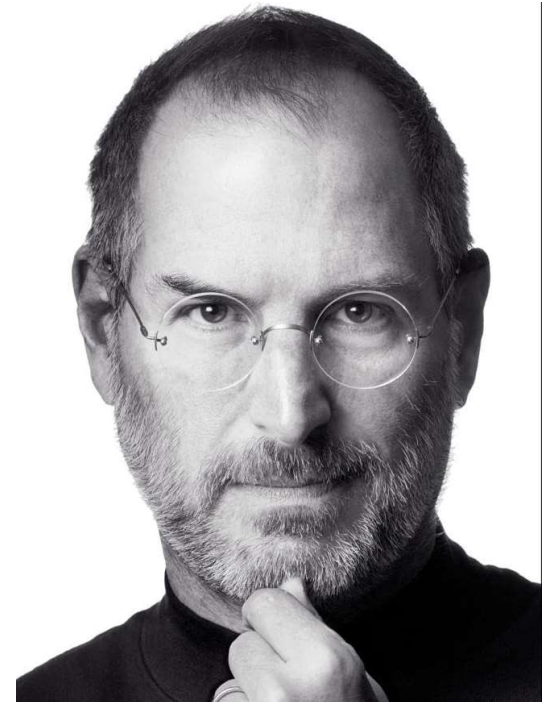
Types of virtue ethics

1. Eudaimonism – bases virtues in human flourishing that is performing one's distinctive function well.
2. Agent-based virtues – to follow what you observe to be admirable traits in other people.
3. Ethics of care – a feminist branch that promotes "feminine" traits such as caring and nurturing



EXAMPLE of agent-based virtue?

1. Emulation of people we find admirable.
2. Do we look up to people because of their qualities, what they have accomplished or that they have become rich and famous?



Summary

Table 3.1: Comparison of Main Ethical Theories

	Consequentialism	Deontology	Virtue Ethics
Description	An action is right if it promotes the best consequences, i.e maximises happiness	An action is right if it is in accordance with a moral rule or principle	An action is right if it is what a virtuous person would do in the circumstances
Central Concern	The results matter, not the actions themselves	Persons must be seen as ends and may never be used as means	Emphasise the character of the agent making the actions
Guiding Value	Good (often seen as maximum happiness)	Right (rationality is doing one's moral duty)	Virtue (leading to the attainment of eudaimonia)
Practical Reasoning	The best for most (means-ends reasoning)	Follow the rule (rational reasoning)	Practice human qualities (social practice)
Deliberation Focus	Consequences (What is outcome of action?)	Action (Is action compatible with some imperative?)	Motives (Is action motivated by virtue?)

More philosophy – other relevant philosophical debates

1. Responsibility
2. Culpability
3. Deserts
4. Fairness and justice
5. Praise and blame
6. Justice, fairness, rightness



Moral luck

Does an agent deserve praise for an action that resulted in an unintended positive outcome?

The opposite of bringing about unintended negative outcomes.



Responsibility

Individual responsibility is tied to what is under our control and what we can held responsible for.

In the corporate world this is akin to “reach”.

What is your reach and what is your responsibility?

Collective responsibility

Collective responsibility, groups are collectively held responsible for events. Nations, corporations, crowds.

In some cases Collective responsibility “dilutes” the individual responsibility of those who took the decisions.

Corporate ethics = Corporate responsibility

Balancing the responsibility towards

Shareholders

Customers

Employees

The World (nature)



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Code of Conduct/Oath

Doctors have the Hippocratic oath “First, do no harm”

A code of conduct for engineers (developers has been discussed but not taken up widely)

Difficult to foresee the consequences of new inventions. There are no clinical trials for technology.



“As practitioners of project management, we are committed to doing what is right and honorable.”

PMI Ethical Decision-Making Framework (EDMF)

To what extent does the dilemma abide, align, or agree with:

1. The law?
2. PMI Code of Ethics and Professional Conduct?
3. Employer's code of ethics and conduct?
4. Client's code of ethics and conduct?
5. Your ethical values?
6. Ethical values of the surrounding culture?

These are not easy questions to answer!



Other frameworks for moral agency

CSR

ESG

Impact Investment

Sustainable Development Goals



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Corporate Social Responsibility (CSR)

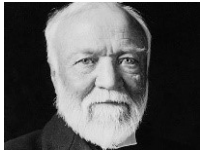
One approach to operationalize ethics in a corporate context

Frithjof!



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Corporate Social Responsibility (CSR)



Andrew
Carnegie
(1835-1919)



Archie B. Carroll
(1991)

- Charity and stewardship (Carnegie's principles)
- “primum nil nocere” – “first, do no harm”
- Be a good citizen of the environments a firm operates within, even at the cost of profit.
- Triple bottom line approach (TBL)



John Elkington
(1994)

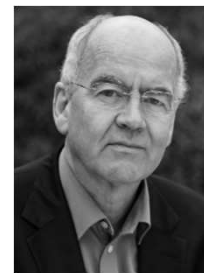
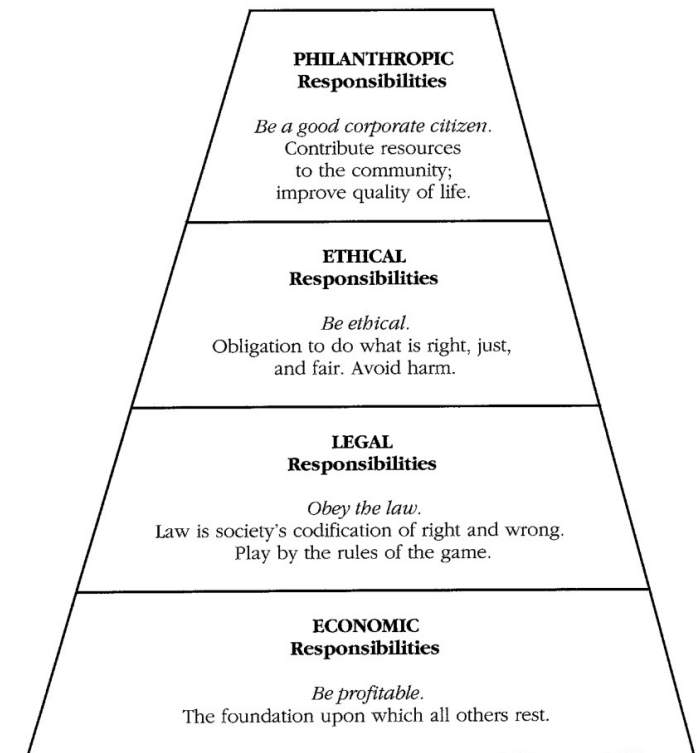


Figure 3
The Pyramid of Corporate Social Responsibility



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Friedman doctrine

- Founder of *Chicago school of economic thought*
- Advisor to Ronald Reagan and Margaret Thatcher

Managers' responsibility is...

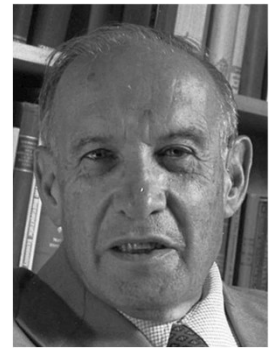
"...to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom"... "the only entities who can have responsibilities are individuals ... A business cannot have responsibilities."

(Friedman 1970)

"There is neither a separate ethics of business nor is one needed."

(Drucker 1981)

→ Σ = Good behaviour is up to individuals

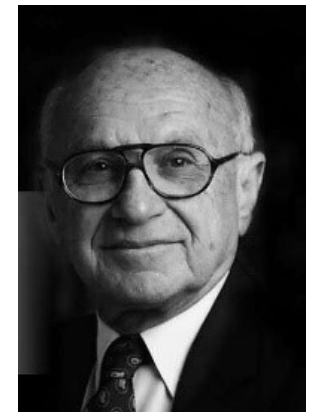


Peter Drucker
(1909-2005)



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Milton Friedman
(1912-2006)



Environmental Social & Governance reporting (ESG)

A framework/approach that focuses on the internal governance of an organization, responsibility in the supply chain, etc.

Many accounting firms offer frameworks, tools approaches to reporting ESG criteria.



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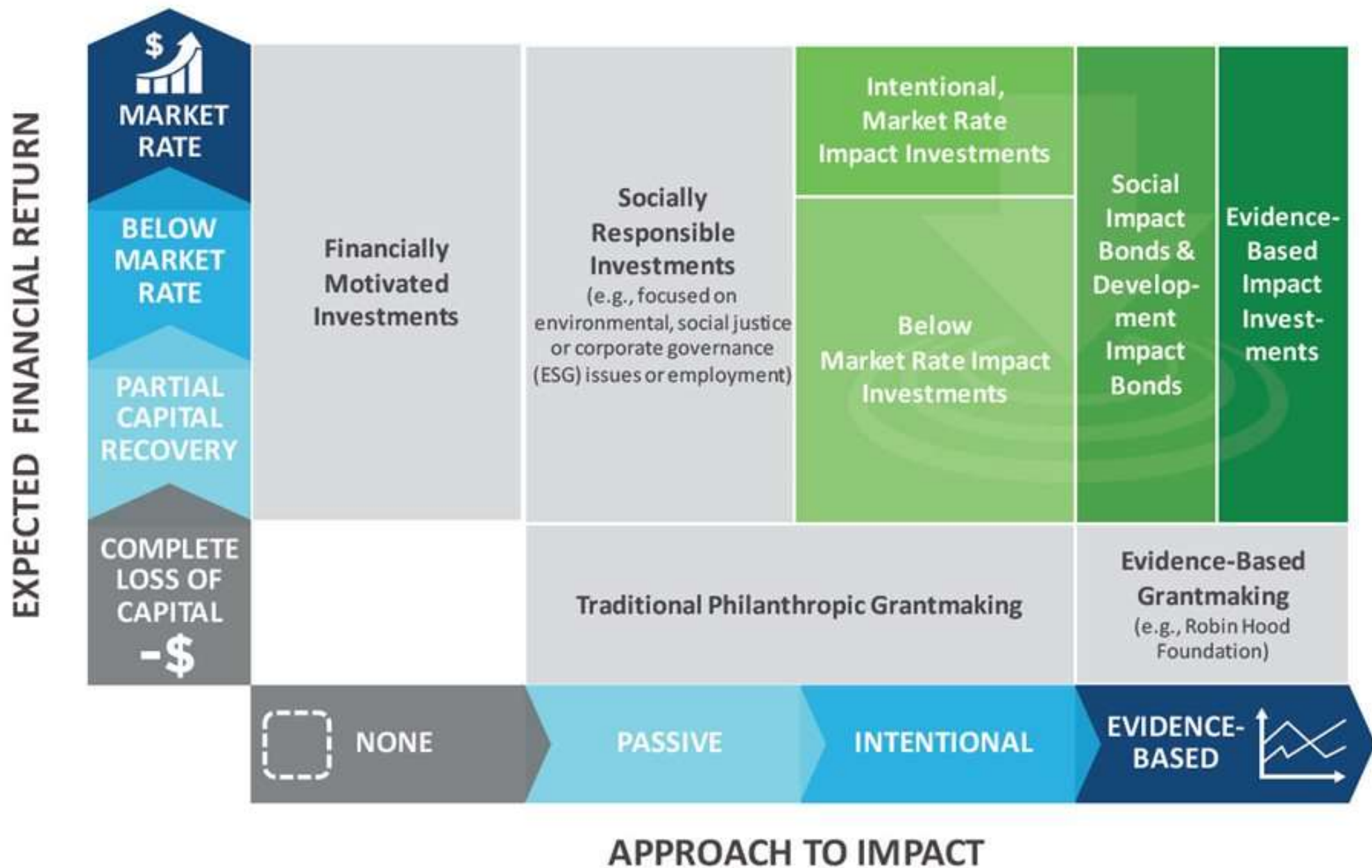


Impact Investment

It is an investment strategy that aims to generate specific beneficial social or environmental effects in addition to financial gains.

This is fairly new, everyone is still figuring out what to measure and how.







SUSTAINABLE DEVELOPMENT GOALS



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SUSTAINABLE DEVELOPMENT GOALS

17 Goals, 169 sub-goals, 247 indicators.

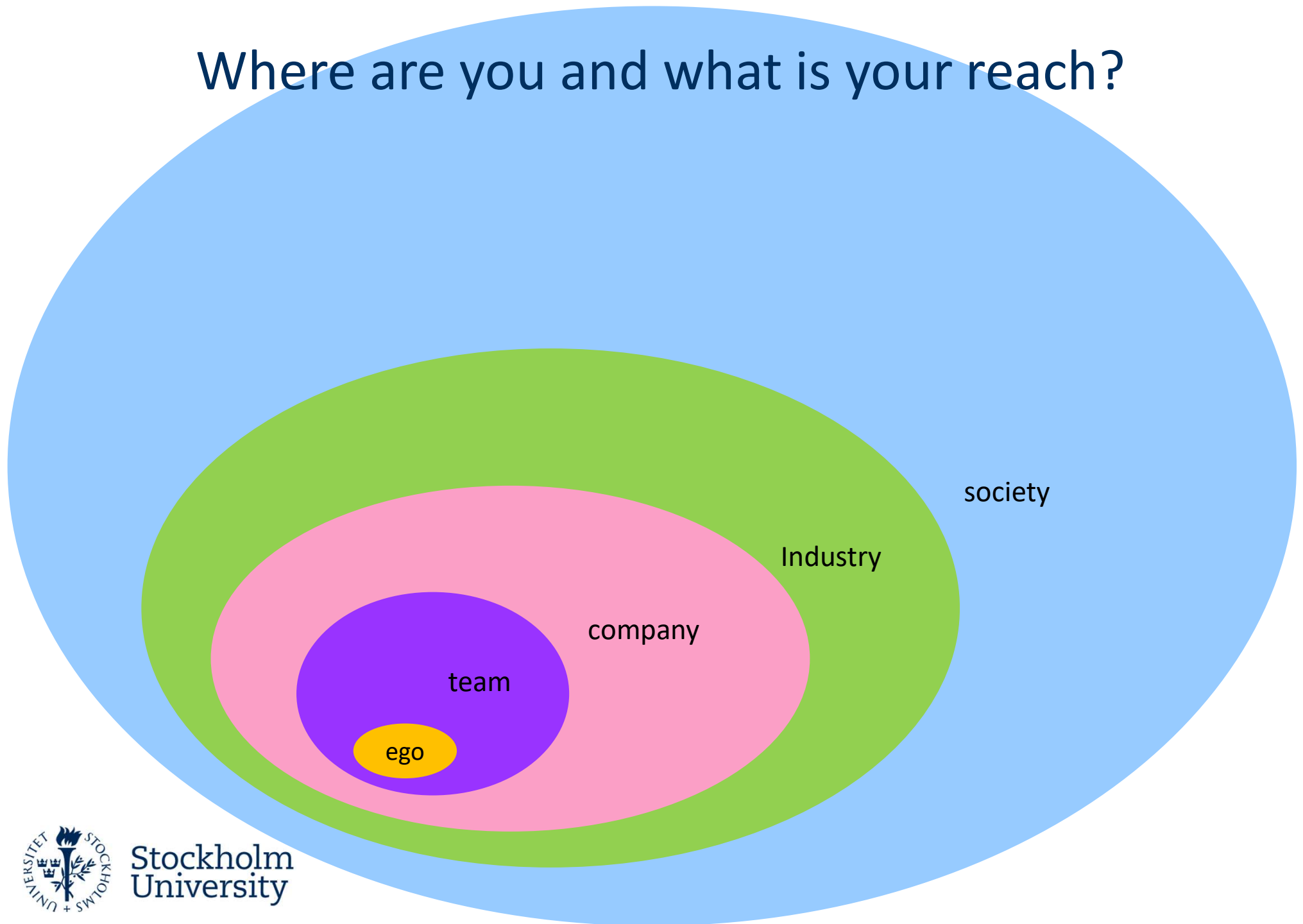
Often statistics on a national level.

There is a 4.2 trillion USD annual funding gap for the
SDGs

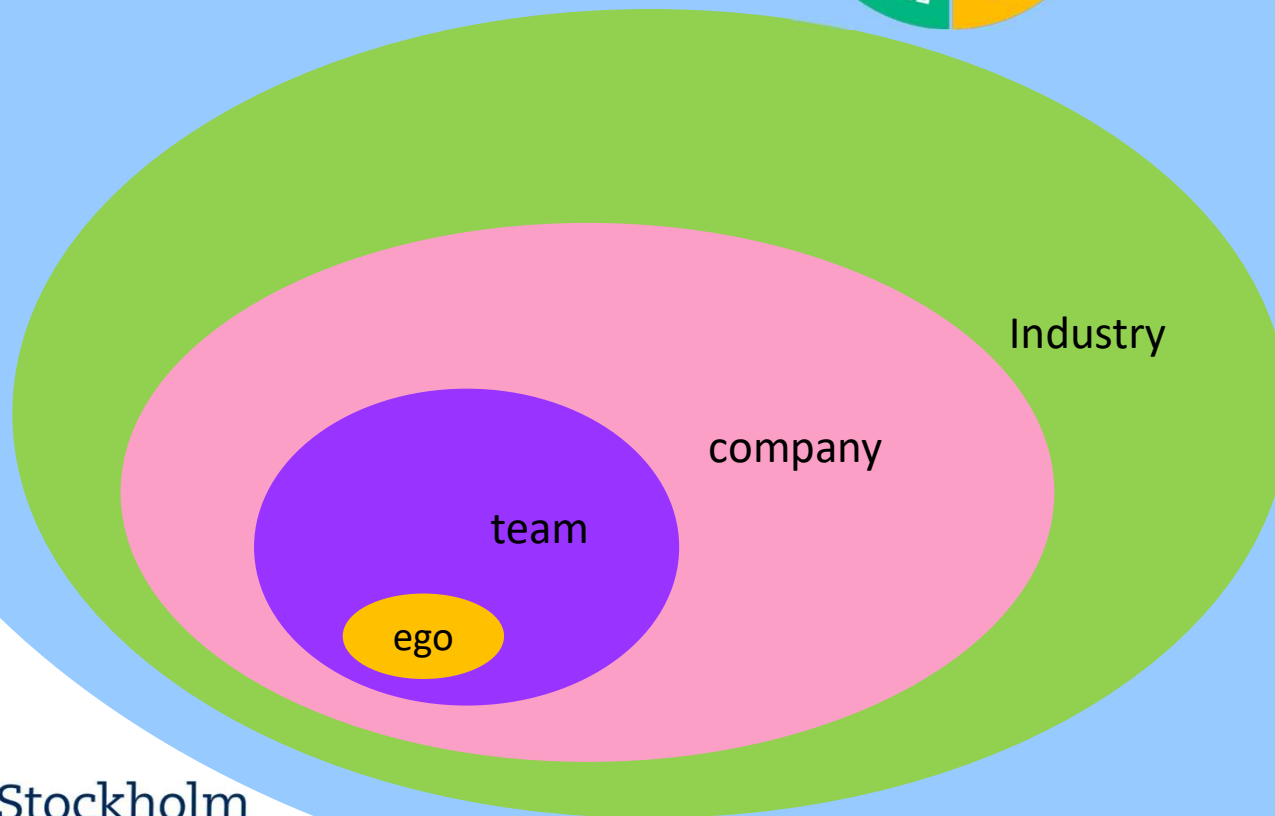


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Where are you and what is your reach?



Other moral agents



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What should you take responsibility for?

That is actually up to you.

There are plenty of companies that span the full spectrum of what they consider ethical.



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A variety of similar terms

In software development and computer science there are a variety of similar terms that deal with the same field of issues.

- Ethical
- Responsible
- Value in
- Conscientious
- Sustainable



Example: Ethics and AI

EU has passed the AI Act

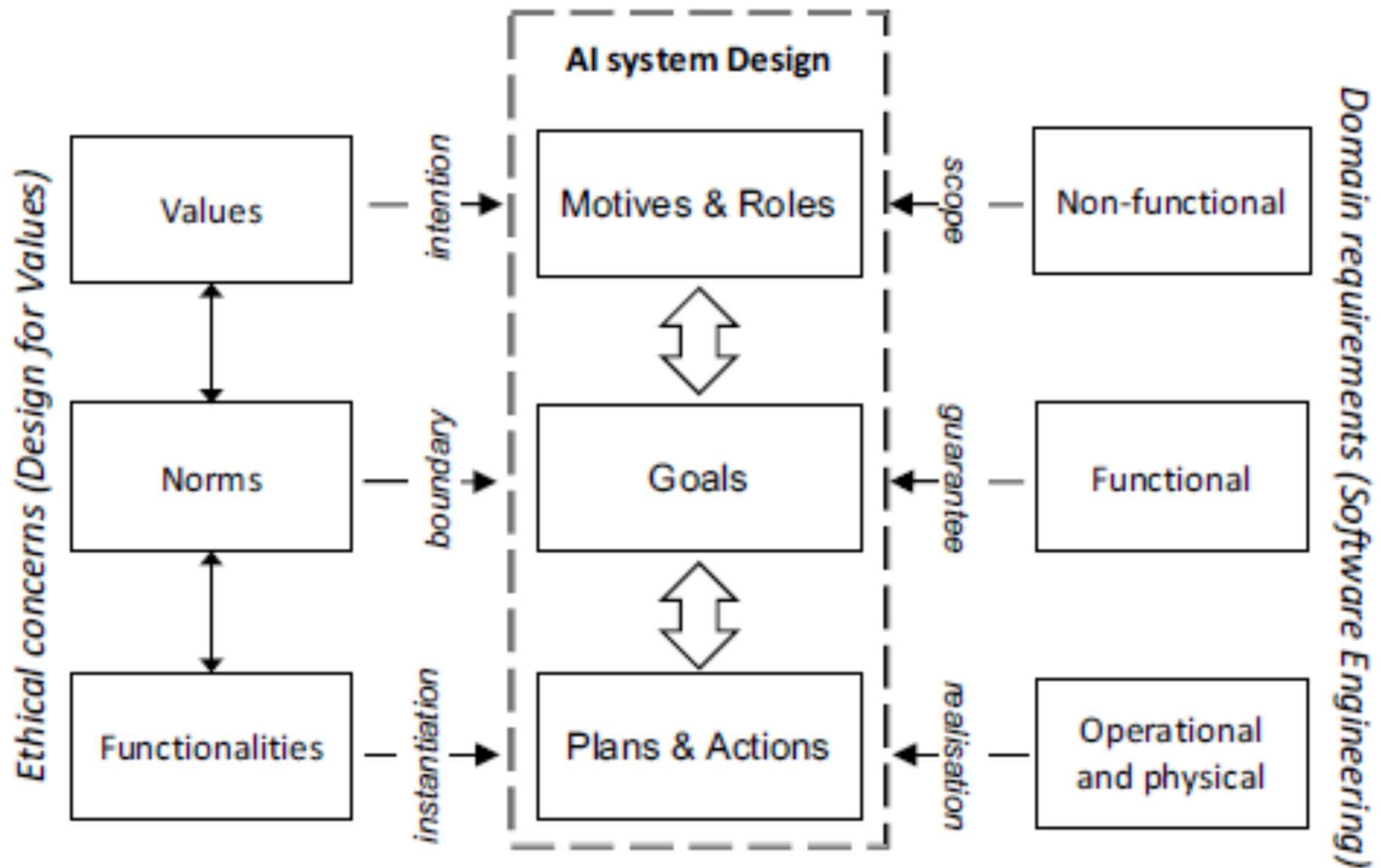
AI 4 People is a formulation of the EU stand on AI,
written mainly by philosophers.

The article “Global AI Ethics” reviews over 800
academic articles and books on ethics and AI.



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Responsible AI: design



The Alignment Problem

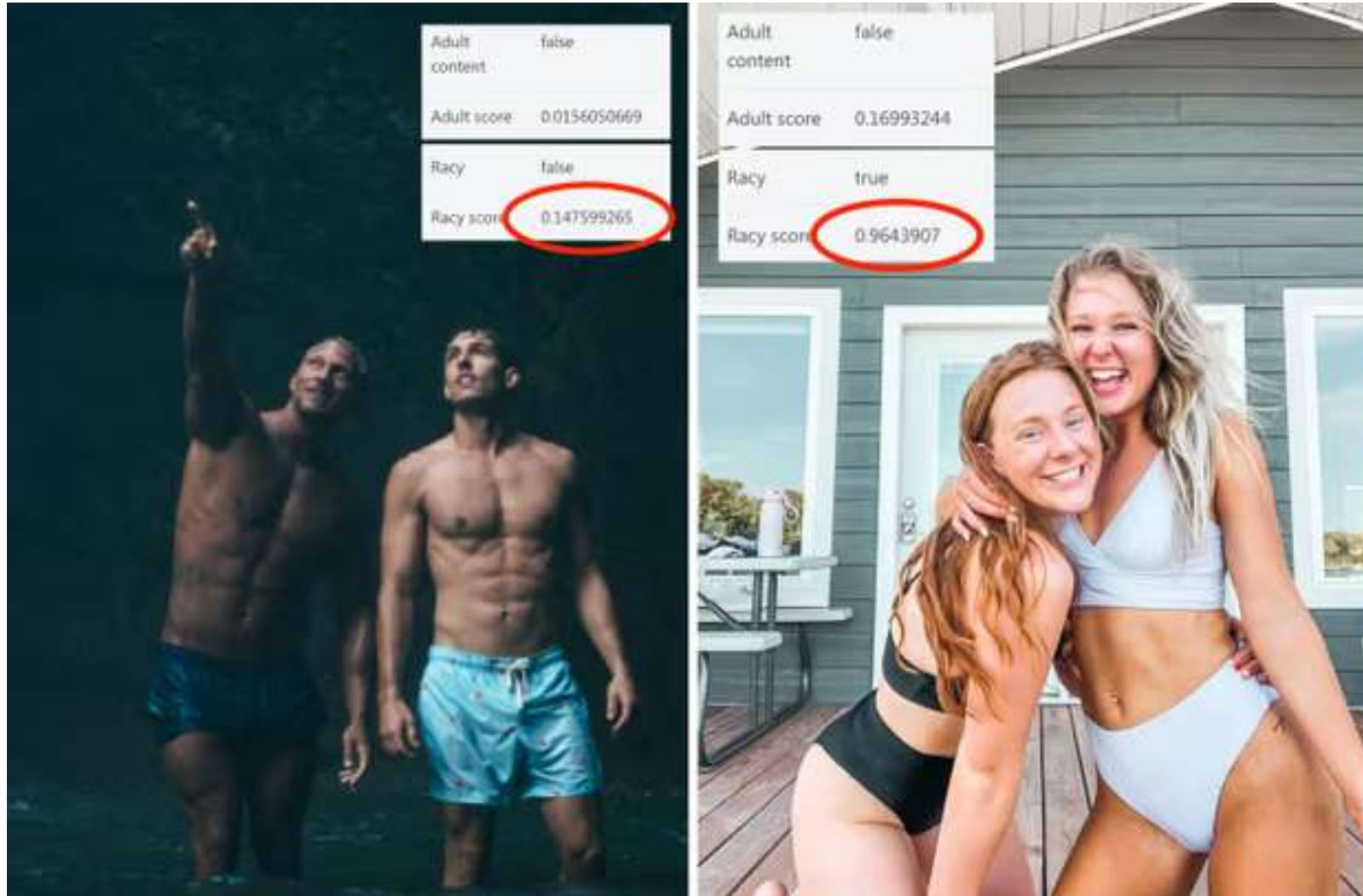
The goal is getting AI not only to think like a human but also have values as a (good) human.

There are scores of ethical frameworks, guidelines and models available.

But the issue is not only a technical one.



Male and female bodies are rated differently



<https://www.theguardian.com/technology/2023/feb/08/biased-ai-algorithms-racy-women-bodies>



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AI's that have been trained to recognize “raciness”

To the extent that a male body with a bra is rated higher.

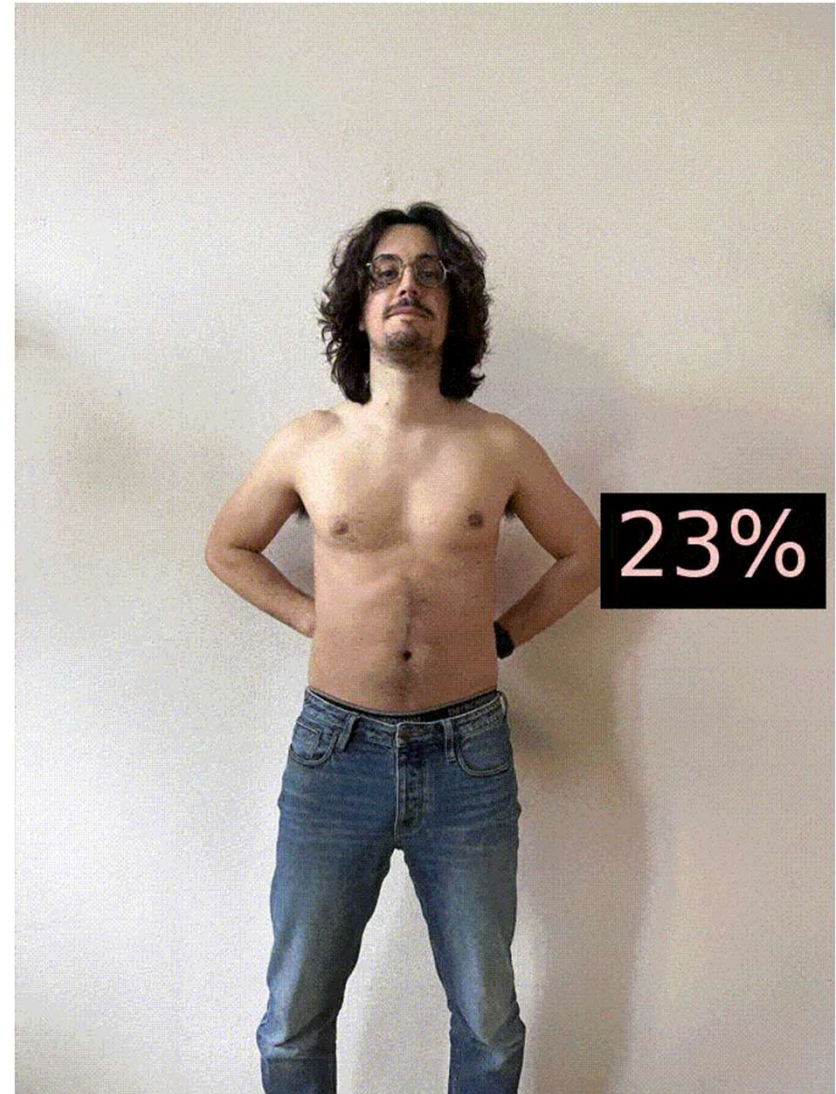


Image rating algorithms rely on labelling to work.

This means that the AI will score according the collective values of those who labelled the images*.

“It’s also possible that these ratings seem gender biased in the US and in Europe because the labelers may have been from a place with a more conservative culture.”



Large-scale Language Models need enormous quantities of data to be trained.

Researchers “fed” the models all text they could find.

Some of the content that LLMs produce is racist, sexist, homophobic, ableist.



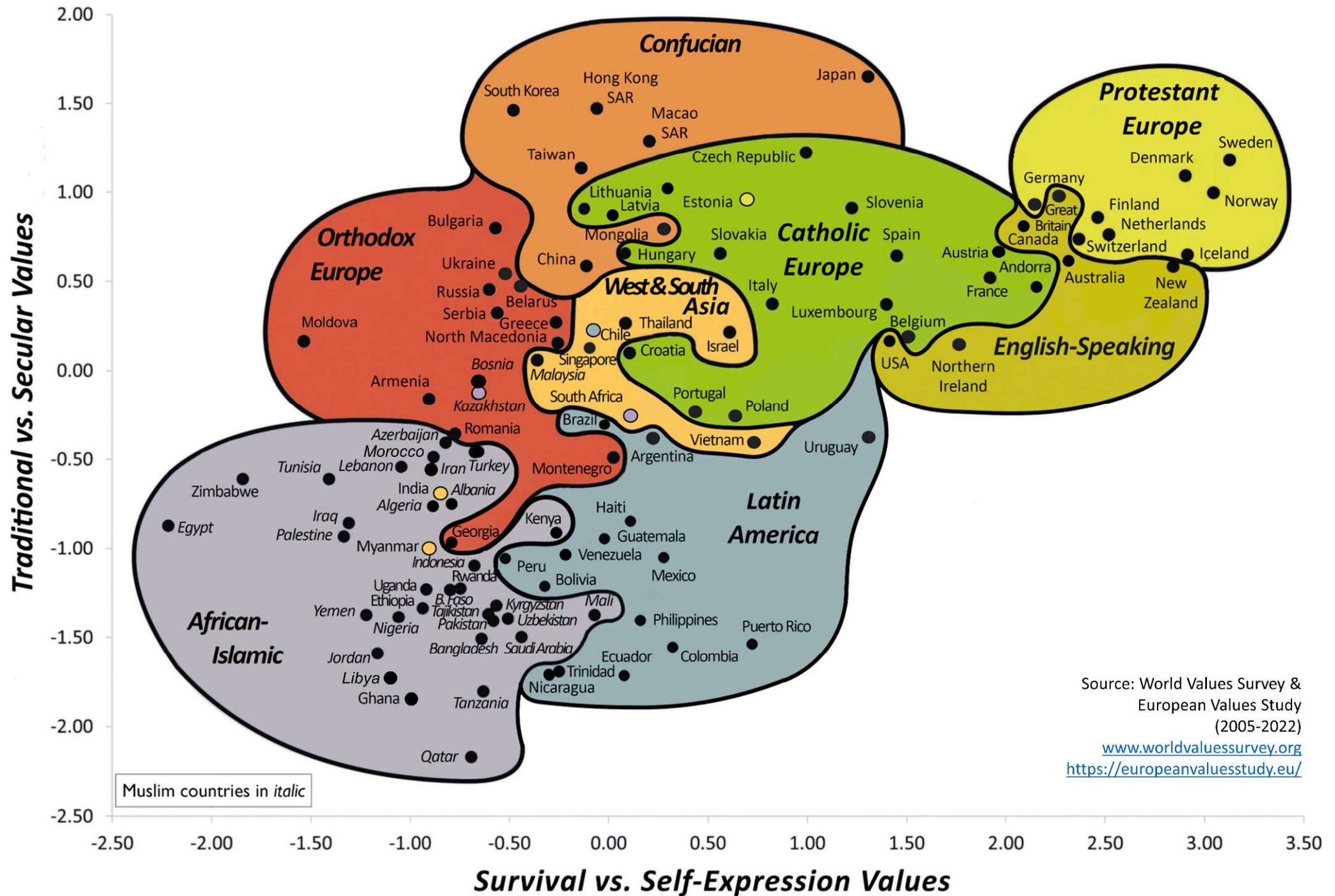
The problem is not only to get human values into the AI?

The problem is also whose values do we pick?



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The Inglehart-Welzel World Cultural Map 2023



Source: World Values Survey & European Values Study (2005-2022)
www.worldvaluessurvey.org
<https://europeanvaluesstudy.eu/>

QUIZ

Scenario: Three students do an exam.

- Student A asks student B if they can copy B's answers.
- Student B allows A to copy their answers.
- Student C reports student A and B to faculty.

Rate the students from most to least objectionable.

Mentimeter



Alignment in values

Software is developed in agile teams

In agile teams you have more self-leadership and autonomy.

Which means that every team can apply their own approach.

What happens when we start to talk about Responsible development and Value alignment?



Remember the PMI Ethical Decision-Making Framework (EDMF)?

To what extent does the dilemma abide, align, or agree with:

1. The law?
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4. Client's code of ethics and conduct?
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6. Ethical values of the surrounding culture?



How do we do the right thing
(in a complex world)?

What is the right thing?

Who are the responsible
stakeholders?

What is your reach and your
responsibility?



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Questions?

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