End Semester Examination
HS552 Business Ethics

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Section – A

Q1. Discuss some of the factors explaining why global ethics differ worldwide. Explain the cultural and social institutional approach.

Answer.
There are many companies who operate worldwide like MNCs and these companies face Global ethics varying worldwide.

Given below are the following factors which make global ethics differ worldwide:

- ➢ **National cultural differences**: differences in what people think is the right way to do things.
- ➢ **Social institutions**: differences in educational systems, religion, etc.
    - • **High achievement**: people value achievement
    - • **High individualism**: people value their own personal freedom
    - • **High universalism**: people are more ambitious because they expect to be treated fairly
    - • **High pecuniary materialism**: people have high materialist tendencies

- ➢ **Corruption** is the misuse of entrusted power for private gain.
    - • Corruption occurs when someone receives a bribe and does something that they are legally prohibited from doing.
- ➢ **Cultures that promote higher corruption:**
    - • **Uncertainty avoidance**: the degree to which people prefer certainty and order in their lives.
    - • **Individualism**: the degree to which people are focused on themselves.
    - • **Future orientation**: the degree to which people are focused on the future.
    - • **High masculinity**: people are more focused on work than quality of life.
    - • **Achievement and performance orientation**: degree to which people are focused on achievement and performance in a society.
- ➢ **Cultures that promote less corruption:**
    - • **Gender egalitarianism**: degree to which people promote gender equality in a society.
- ➢ **Ethical relativism** is an ethical viewpoint based on the assumption that there are no objective and universal moral standards.
- ➢ **Ethical universalism** refers to the basic moral principles that transcend cultural and national boundaries.

Q2. What is sustainability? Do companies have any special obligations to the environment? Why or why not?

Answer.

Sustainability refers to capacity of healthy ecosystems to continue functioning indefinitely or economic development that meets the needs of the present generation without compromising the ability of future generations to meet their needs.

Yes, companies such as refrigeration industry (ozone depletion, global warming), automobile industry (air pollution, water pollution) emit toxic gases So_2, No_2, CFCs that are responsible for polluting atmosphere. They consume thousands of litres of water and pollute water bodies by discharging their waste products into it which are rich in metals, ions, acids, oil and in process disturb aquatic life, fresh water sources, depletion of ozone level etc.

These companies need to change their approach and need to invest good amount of its resources to develop technologies that are eco-friendlier and using conventional sources of energy.

For ex: Tesla produced electric cars and this technology has revolutionised the automobile sector and now everyone is moving forward to this. Replacing refrigerants like Freons with CHFs has reduced ozone depletion and global warming issues.

Another factor is if these industries invest in new ways they get edge over other companies by:

- Avoiding fines and other legal costs. (case of Volkswagen and Toyota)
- Avoiding public relations nightmares.
- Cost reduction.
- Higher revenues (Tesla)
- Loyal customers.
- Improved relationships with stakeholders and improved brand reputation.
- A positive image in the community the company is located in.
- Enhanced relationships with employees.
- Enhanced relationships with shareholders.

Q3. What are some of the main ethical issues companies face as they deal with social media?

Answer.

Media is a powerful secondary stakeholder The media can affect the public's attitudes and behaviors simply by increasing knowledge about business ethics issues. We saw in case of Snow Brand where there was so much of confusion being created by company due to lack of centralized information and improper treatment to media in providing information so it is important to have a very strong PR team that answers public doubt and filters about what comes into public domain.

Some of the main ethical issues that companies face as they deal with social media are:

- Reputational Damage: Companies face a great risk of reputational damage for the organisation for any misconduct or harmful sentiment shared on the social media. Use of social media in an unfavourable manner by the employees may also result in scrutiny for the organisations reputation. For example: we saw in case of kit Kat when company lightly took Greenpeace who questioned how Nestle buy palm oil and company faced boycott of kit Kat by masses.

- Harassment: Use of social media for posting or displaying or discussing certain things may lead to harassment claims.

➤ Copyright infringement: Usage of the company's trademarks on social media might result in legal actions that can infringe on the company's rights to and control over assets.

➤ Misuse of employees: The company employees might misuse the company's work hours and resources for social media.

➤ Disclosure of confidential information: Discussion of the organisation's confidential information on social media might disclose the information to unwanted sources. For example: New technology or Feature being developed by one company.

➤ Espionage and risk to company's network: Mistakes on social media can result into vulnerabilities open for exploitation in the company's networks. The privacy of the company's employees and partners along with the confidential company data may be exposed.

➤ Threat to Fair Competition: Employees may share critical data to competitors or false reviews or propaganda can be spread against a particular organisation through social media.

Q5. Discuss Kohlberg's cognitive moral development theory. How can companies use Kohlberg's theory to better train their employees?
Answer.
The cognitive moral development theory emphasises on the thought process that occurs while responding to a moral dilemma. It focusses on how the decision is made rather than what decision is.
The theory has been criticised for the gender and racial bias based on the fact that only upper-class, white boys were part of the research subject.

- **The framework consists six stages of moral reasoning:**

    1) **Authority/fear of punishment stage** whereby the person defines right or wrong based on the obedience to rules from those in power.

    2) **Self-interest stage** where the person chooses the action that satisfies the person's self-interest the most.

    3) **Expectations of others** stage now make their judgment about right or wrong based on the expectations of significant others and peers.

    4) **Rules and laws stage,** an individual's moral judgment is externally oriented and based on whether the action respects rules and policies.

    5) **Principled** stage bases their decisions on ethical principles of right and wrong and consider good to society.

    6) **Universal ethical principles** stage is the decision maker determines whether an action is right based on universal ethical principles that everyone should follow.

- **The six stages can be convenient collapsed into three levels.**

1) **Pre-conventional level** (stage 1 and 2): decisions are typically driven internally by either reward or punishment. At this stage the morality is influenced by external factors.

2) **Conventional level** (stage 3 and 4): decisions are made based on external rules and norms coming from family, friends, peers and society. The emphasis shifts to the social systems from individual's self-interests.

3) **Post-conventional** level (stage 5 and 6): individuals are driven by consideration of universal principles and values. The individual moves beyond the self or societal perspective and takes the perspective of all.

- Understanding the cognitive moral development level can be useful especially in hiring process because companies want right fit in the organization and how ethical its employees are i.e. how much confidential information can be shared with that employee, what core values he hold. Hence, companies can use Kohlberg's theory to better train their employees in following ways:

  ➢ Companies can gauge the level of cognitive moral development prior to hiring.

  ➢ Cognitive moral development of existing employees can be assessed i.e. how that person will take decision for the organization as we saw in Himachal Fertilizer case where that independent director took decision for the organization knowing well that he can be considered ethically wrong.

  ➢ Companies can also provide very explicit training by having employees consider actual ethical dilemmas and assess how employees react to these dilemmas.

Q6. Compare and Contrast
a. Stakeholder and stockholder theory
b. Stakeholder legitimacy and stakeholder urgency
c. Relativism and Idealism
Answer.

a. Stakeholder and stockholder theory

According to stakeholder theory the business has ethical responsibilities towards all those who contribute or are affected by its actions including the stockholders, government, employees, customers, etc. The company must consider all the stakeholders in their conduct and should go beyond satisfying the needs of shareholders only.

This theory is based on a few arguments:

  ➢ Although any company should operate in the interests of stockholders, the company has to also operate within the boundaries imposed by the legal system.

  ➢ Capitalism suggests that companies will operate according to the invisible hand argument producing the greatest good for the greatest number.

In contrast, the Stockholder theory suggests that the corporation's duty is to maximise the profits of its shareholders. It holds that shareholders or owners have the right to control and earn residual earnings (or profits).

- Suppliers of equity capital or shareholders are the ones that have the least cost of decision making because they are the ones with the least conflicting interests.

- Thus, the most efficient arrangement is ownership by suppliers of equity capital or shareholders and they have the right and control of profits.

- The best way to organize a company is through the stockholder model whereby managers are hired to achieve shareholders' goals because they are owners of the company.

b. Stakeholder legitimacy and stakeholder urgency

Stakeholder Legitimacy and urgency along with power are the three attributes that form the salient model of stakeholder classification.

- Legitimacy: It is the degree of moral or legal authority a stakeholder possesses. The company conducts itself in such a way that is consistent with widely held values and beliefs.

- Urgency refers to the degree to which a company needs to respond to stakeholder needs. It is further based on two factors:
  - Time-sensitivity: Need is time sensitive.
  - Criticality: Need is critical.

c. Relativism and Idealism

Both of these are the different ways for individuals to approach ethical decision making.

Idealism refers to the degree to which an individual will minimize harm and maximize gain to others when making a decision.

In contrast, Relativism refers to the degree to which individuals adhere to universal rules regardless of the situation when making decisions with ethical consequences.

B. CASE STUDY

Q1. How socially responsible /sustainable Uber is? In general, and relative to the businesses it is replacing?

Answer: Uber with its technical skills, app platform, cheap rides and expert business approach as a start-up did spectacular job for people as it reduced time wastage for people to wait for a taxi, lowered fair prices, provided employment or free lancing opportunities to drivers and created business for them, through its GPS system made routes more clear to drivers and reduced opportunities for unfair prices by taxi owners but as it was growing due to its very dominating and competitive business policy it behaved socially irresponsible to local government, its competitors and even put its customers at great risk.

Following are the points from the case that proves these points in detail.
- Uber has continued to feed the company's interests rather than the public welfare. Uber as corporate cannot be said to be socially responsible or sustainable due to the unethical history that the company has demonstrated in the past and continues to practice.

- The first major shortcoming in Uber's business practices is their general non-compliance. The unregulated business policy has resulted in them jumping ahead of regulators to establish operations in certain places before even the restrictions are in place.

- Uber has had a history of using its funding and asset background to hire lobbyists to resist government regulations and has also shut down serviced in cities that demanded strict licensure.

- Uber initially didn't pay taxes which were paid by general taxis, picked passengers from nearby locations at airport, later fixed its own rates as rent, violated local laws by allowing any number of vehicles, reduced fair prices very low to create monopoly.

- When we talk about safety standards drivers in uber were general people and many of them had not licenses to drive for people nor were they registered to not have any criminal background or history.

- Uber has also been known to target attacks on government, authorities, individuals which is highlighted by the fact that Uber had to apologise after a senior executive discussed the idea that Uber could spend a huge sum to hire opposition researchers in order to dig up dirt on journalists who had criticised Uber.

- Amongst Uber's most unethical practices is its conduct towards its main competitor, Lyft. Uber has been accused in a number of investigation reports of jamming Lyft's rides and services with fake and automatic calls, running incentives to recruit Lyft drivers, approaching potential Lyft investors just before Lyft fundraising ground to get them to rally with Uber instead. The former CEO of Uber, Travis Kalanick himself has been accused of the same.

- Finally, Uber has lack of accountability and responsibility of their company's actions. Uber has been known to divert responsibility and make it difficult for consumers to file complaints. Uber in its terms and conditions also include clauses that render them completely free of responsibilities and places all the risks solely on the customers.

- While Uber has implemented cab sharing through UberPool as an effort to save parking space, emissions and traffic congestion, they haven't published any data that can allow independent researchers to assess the impact on the environment.

- Taking into consideration following points we can say that Uber due to its historical unethical practices cannot be considered socially responsible or sustainable.

Q2. What do you think about how Uber has acted with regulators thus far? Could Uber have improved its business position by taking a different stance? Should Uber change its stance towards regulators as its model becomes more universally acceptable? What recommendations would you make to Uber's senior management? What recommendations would you make to public policy makers/regulators?

Answer:
Following are the points which discuss how uber has acted with regulators so far:
The unregulated and very competitive business policy has resulted in them jumping ahead of regulators to establish operations in certain places before even the restrictions are in place.

> By **claiming itself as a technology platform and not a transportation company,** the company so far has avoided complying to the regulation standards such as costs of hiring, operating vehicles and drivers and the limits on cabs and taxis by **stating that the drivers are independent contractors, partners and not employees.** It has used these methods to avoid airport charges, taxes and permit fees.

> To create monopoly, it has reduced its fair prices very low to eliminate its competitors from the market. Generally basic fair prices are fixed but this approach has taken control of local authorities from it.

> Uber has fought using lobbying and has tried to avoid regulations and fees in different locations. In the past, it has preferred to shut down its services rather than comply in places such as in Frankfurt, Hamburg. In Australia, uber has constantly displayed its dismay against the 10% taxes that it has to pay which is the same that taxi companies pay.

> In addition, Uber does not take responsibility and places any risks solely on the consumer. So the company is actually placing you in situation where driver is not authorised, vehicle is not authorised and you cannot file complaint against it if something wrong happens to you.

Yes, Uber could have improved its business position by taking a different stance and following points are mentioned in case:
> Uber has attempted to improve upon its social responsibilities by improving its carbon footprint through introduction of pool sharing.
> Launching its own car drivers and cars who were registered as for whom company took responsibility.
> Although they have refrained from taking responsibility Uber has cooperated with the authorities in cases they have been asked to.
> They have also ramped up their facilities like background checks of the drivers to ensure public safety. These efforts have managed to improve the overall perception of the company.

Following are the recommendations I would have made to Uber's senior management The company should change its stance towards the regulators as its model becomes more universally acceptable.
> Company should use its navigation technique where users can share whole information to its parents, relatives, friends so that crimes can come down.
> Uber's senior management would be to work on their social responsibilities and contribute to the welfare of their stakeholders i.e customers by giving proper guidelines whom they can complaint in case of any disruption in services, crimes etc.
> Company should give information about driver in its app along with car details.
> The company by changing its stance with the regulators would be a very welcomed change as it has been a point of scrutiny for the company for long.

Following are the recommendations I would have made to public policy makers/regulators
Looking at the way companies such as Uber, Lyft, Ola, etc. are rising in the industry, the public policy makers/regulators should try to come up with different regulations for these sections of

companies so that they can enjoy their business model while not straying away from their social responsibilities.

- ➢ These include regulating the maximum number of people who can drive for uber in certain areas, rent.
- ➢ As the company is stating that these car owners and service providers are its partners hence regulations on distribution of responsibilities should be stated clearly so that company partners with ethical people and not anyone.
- ➢ It should also be mentioned with maximum how many partners it can tie up in a city or town.

Q3. Why is it important for Uber to be considered a "technology platform" and not a "transportation company?" What would the implications be if Uber were a "transportation company?"

Answer.
As we see how this concept took birth, social media is connecting people and there are people who want their belongings to be shared so that the product is worth of its cost.

Uber was founded as an attempt to connect the passengers and cab drivers. The CEO and Co-founder of Uber, Travis Kalanick defined Uber as a technological platform which connects both riders and drivers.

Their innovative advancement has made the pick-up time quicker along with the quality of the ride because it fulfilled information gap and brought them together on a platform where you have more information about fair prices, time limit and access to transport service. Hence, made the travel more affordable while also providing a good platform to the cab drivers for a steady income.

- ➢ Uber is not a transportation company as it does not invest any capital or resources to buy or rent or cars and taxies and is successfully able to provide rides and rentals.
- ➢ Uber does not treat its drivers as regular employees of the company but rather as independent contractors or partners. Through this distinction, Uber does not have to provide the drivers with the benefits that employees of a company are guaranteed by law. The drivers are not the responsibility of the company and do not require a background check unlike transportation companies where drivers are employees. The drivers also enjoy flexible work hours.
- ➢ Uber also seeks to avoid the regulatory costs of hiring and operating vehicles and drivers and also enjoy other regulatory benefits which is why it is important to consider Uber as a technology platform and not a transportation company.

If Uber was a transportation company, then following obligations it need to fulfil following obligations:

- ➢ All its drivers would be assigned as employees and they would have the right to the different benefits of employees of a company such as health insurance, fixed compensation, pension, salary, return, their information and data with the company etc.
- ➢ So much intense hours and work force it needed to spend to recruit these drivers and to listen to their problems. This would result in added expenditure for the company.
- ➢ The company would also have to work within the limits of number of taxis and cabs of the state and their different regulations. As a technology-based company, Uber enjoys a lot more benefits and freedom from regulations.