

Business Ethics Fundamentals

Introduction

Business Ethics

- Public's interest in business ethics increased during the last four decades
- Public's interest in business ethics encouraged by the media

Introduction

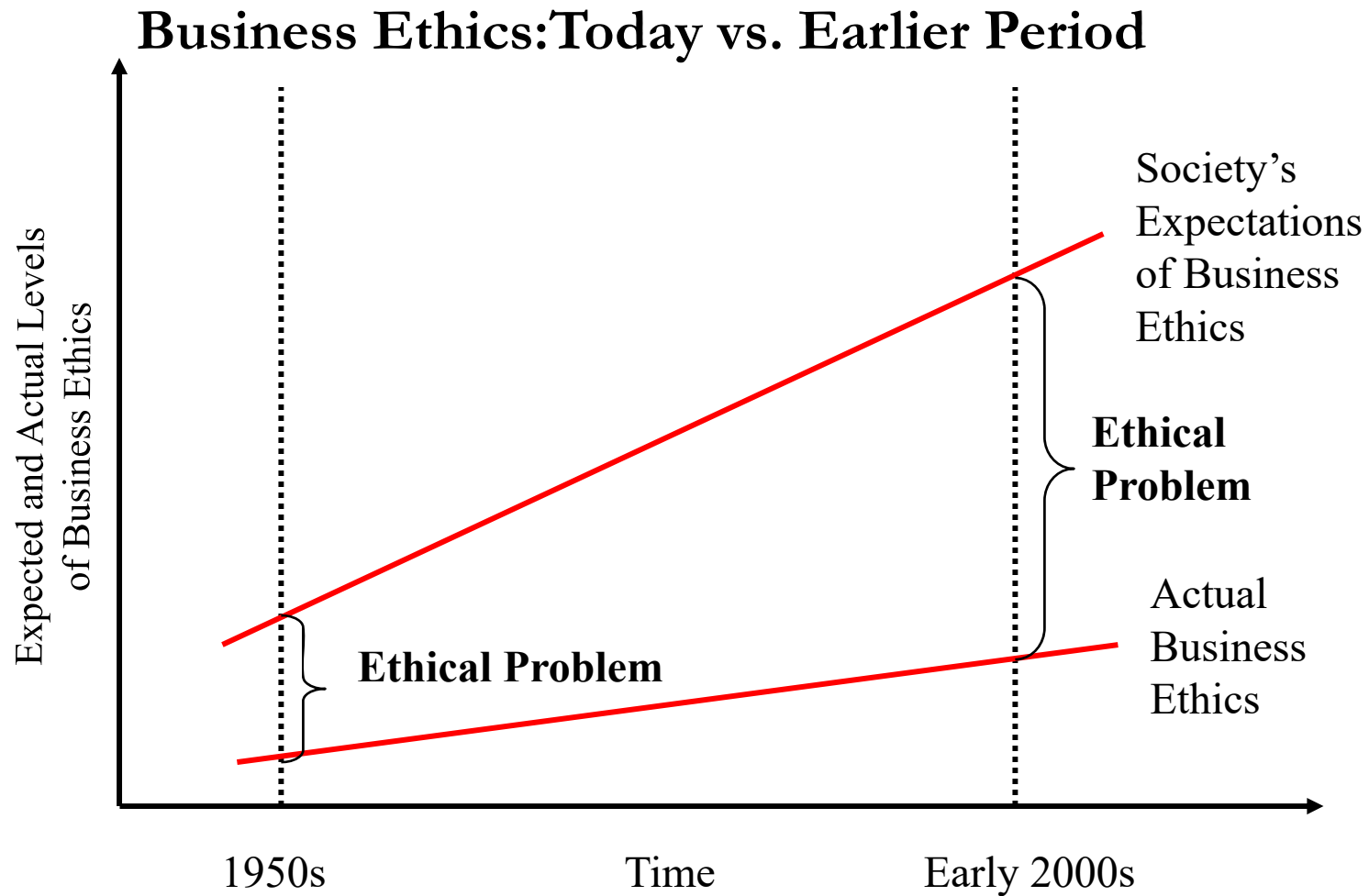
Inventory of Ethical Issues in Business

- Employee-Employer Relations
- Employer-Employee Relations
- Company-Customer Relations
- Company-Shareholder Relations
- Company-Community/Public Interest

Public's Opinion of Business Ethics

- Gallup Poll finds that only 17 percent to 20 percent of the public thought the business ethics of executives to be *very high* or *high*
- To understand public emotion towards business ethics, ask three questions
 - Has business ethics really declined?
 - Are the media reporting ethical problems more frequently and forcefully?
 - Are practices that once were socially acceptable no longer socially acceptable?

Business Ethics: What Does It Really Mean?



Business Ethics: What Does It Really Mean?

Definitions

- **Ethics** involves a discipline that examines good or bad practices within the context of a moral duty
- **Moral conduct** is behavior that is right or wrong
- **Business ethics** include practices and behaviors that are good or bad

Business Ethics: What Does It Really Mean?

Two Key Branches of Ethics

- **Descriptive ethics** involves describing, characterizing and studying morality. It is grounded in observation of some sort — looking at people as they are, not necessarily as they should be.
 - “What is”
- **Normative ethics** involves supplying and justifying moral systems. It is an argumentative discipline aimed at sorting out what behaviours (or rules for behaviour) would be best.
 - “What should be”

Conventional Approach to Business Ethics

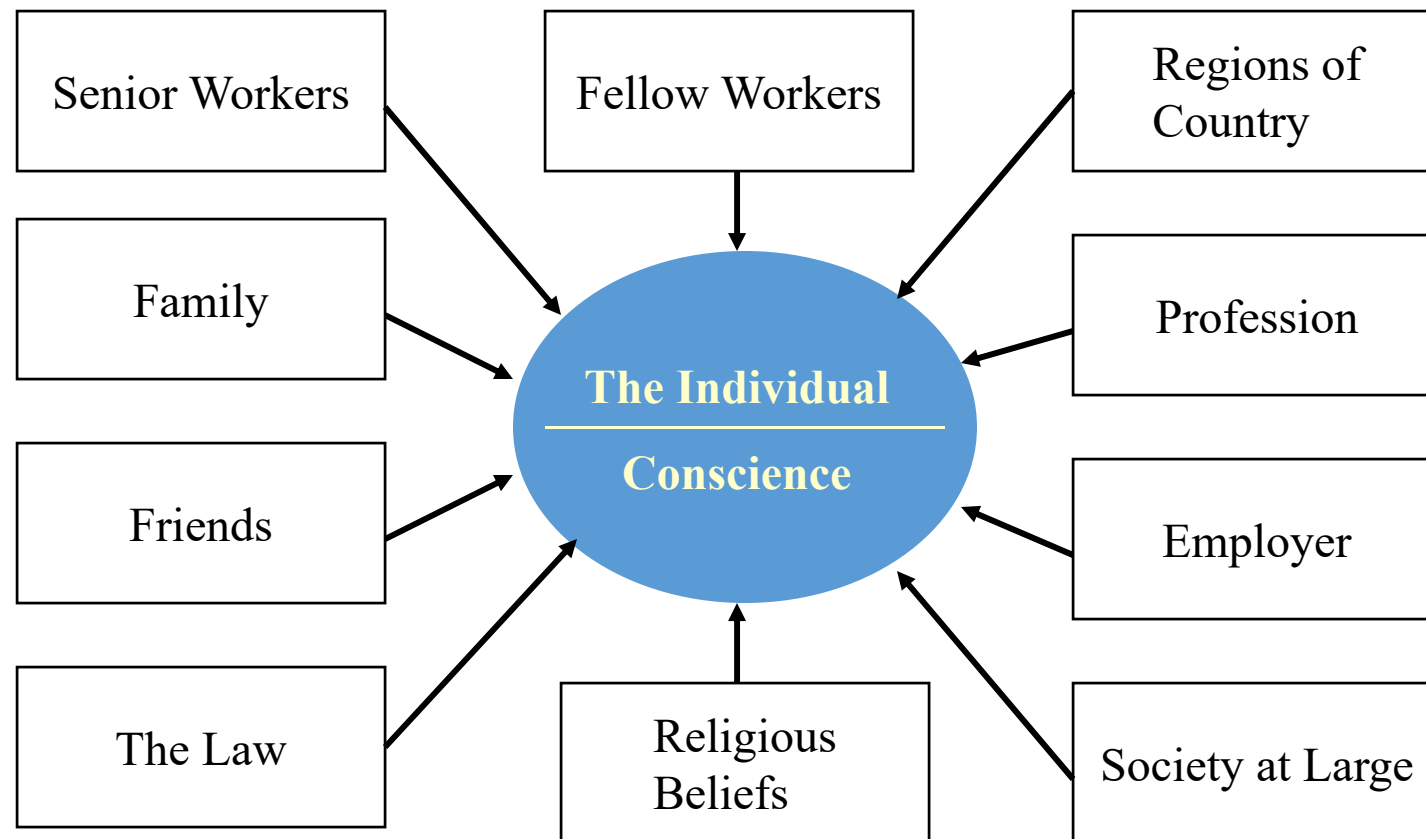
- Conventional approach to business ethics involves a comparison of a decision or practice to fundamental societal norms

Decision or Practice



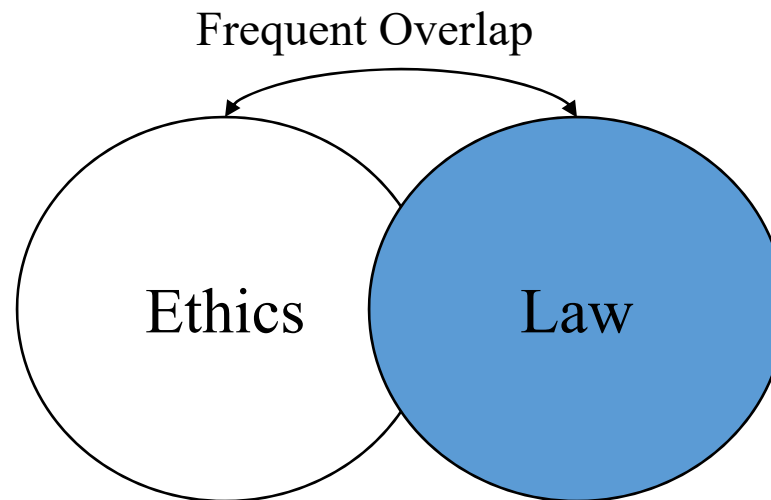
Fundamental Norms

Sources of Ethical Norms

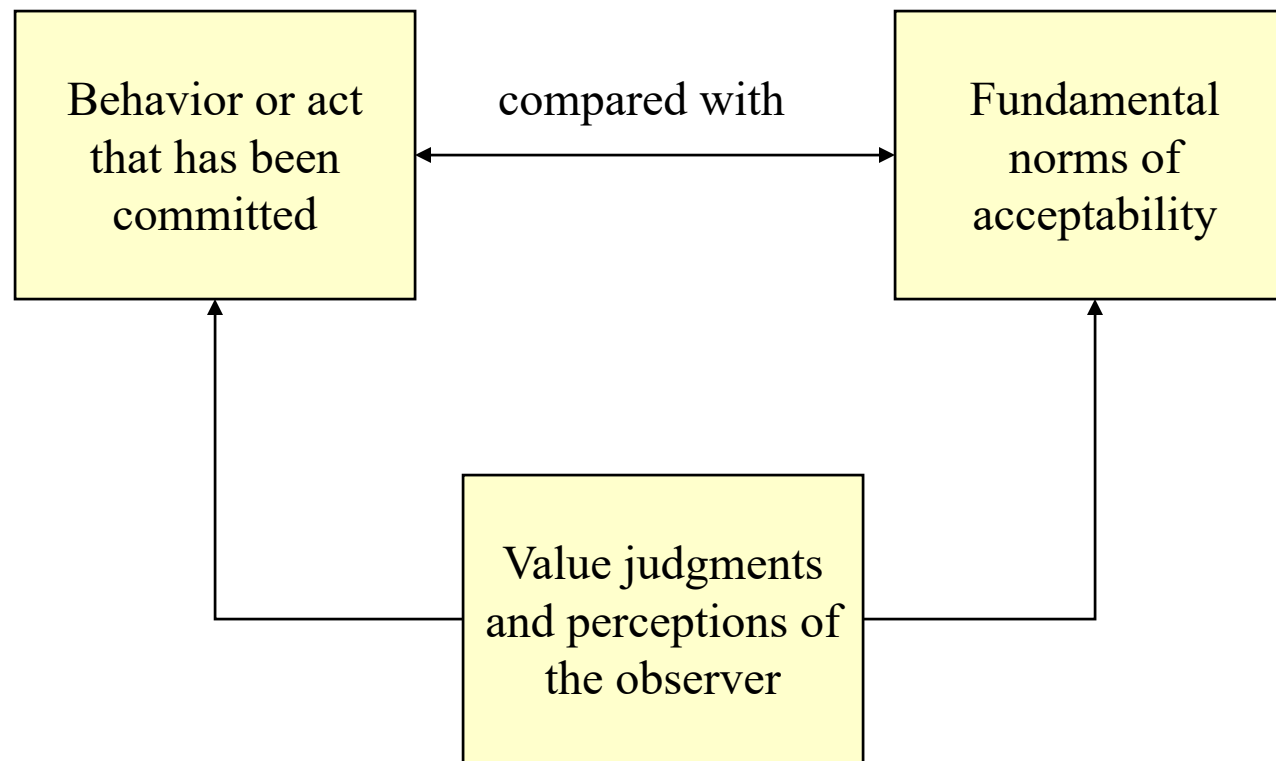


Ethics and the Law

- Law often represents an ethical minimum
- Ethics often represents a standard that exceeds the legal minimum



Making Ethical Judgments



Ethics, Economics, and Law

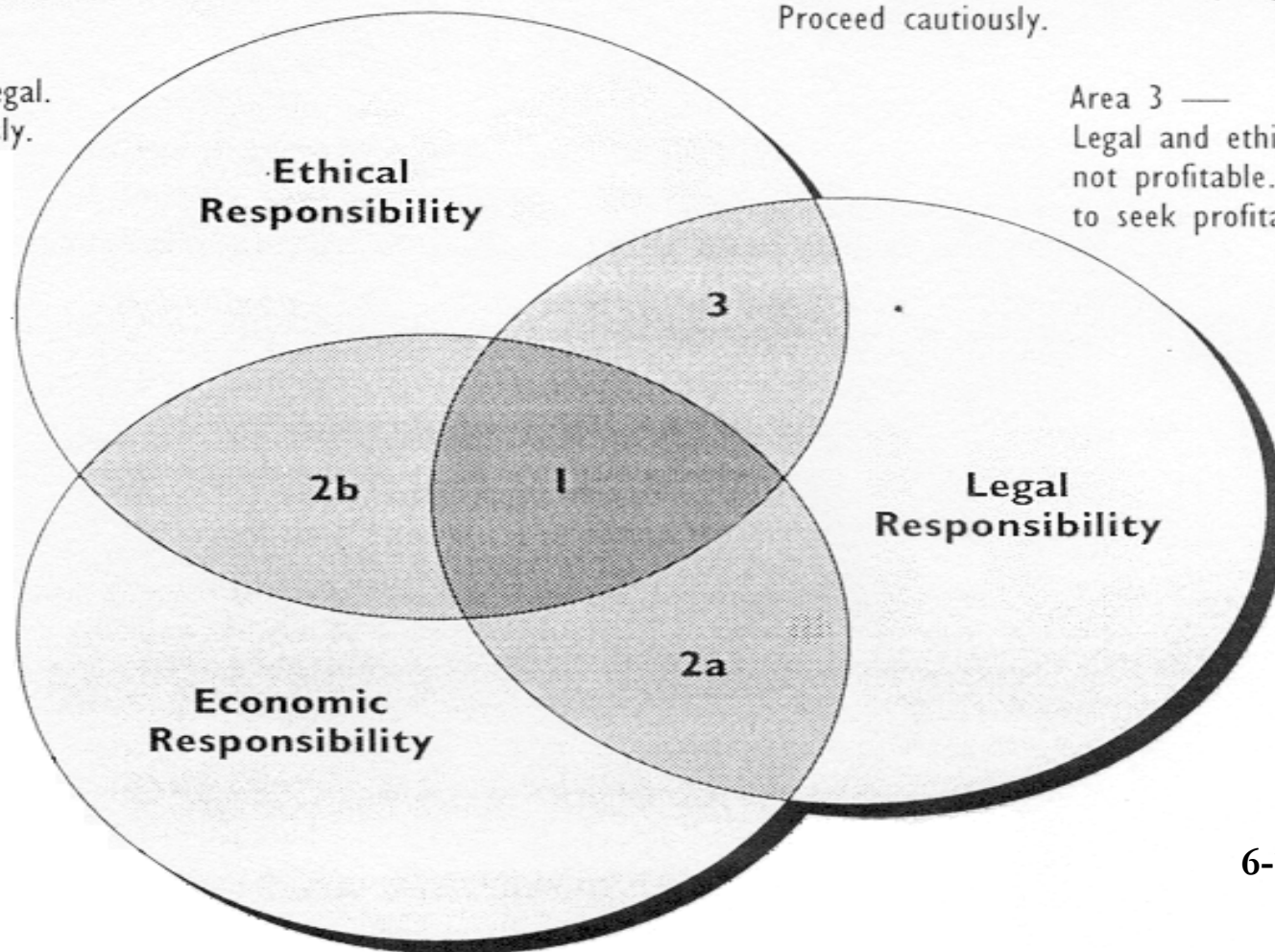
A VENN DIAGRAM MODEL FOR ETHICAL DECISION MAKING

Area 1 —
Profitable, legal, ethical: Go for it!

Area 2a —
Profitable and legal.
Proceed cautiously.

Area 2b —
Profitable and ethical. Probably legal, too.
Proceed cautiously.

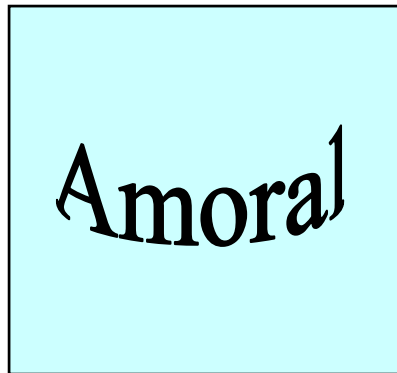
Area 3 —
Legal and ethical but
not profitable. Find ways
to seek profitability.



Four Important Ethical Questions

- What is?
- What ought to be?
- How to we get from what is to what ought to be?
- What is our motivation for acting ethically?

3 Models of Management Ethics



3 Models of Management Ethics

- 1. Immoral Management**—A style to ignore the ethical principles and active opposition to what is ethical.
- 2. Moral Management**—Follow the high standards of ethical behavior.
- 3. Amoral Management**
 - Intentional - does not consider ethical factors
 - Unintentional - casual or careless about ethical considerations in business

Making Moral Management Actionable

Important Factors

- Senior management
- Ethics training
- Self-analysis

Developing Moral Judgment

WHY MANAGERS BEHAVE ETHICALLY

Most of Us

1. To avoid some punishment.

2. To receive some reward.

Many of Us

3. To be responsive to family, friends, or superiors.

4. To be a good citizen.

Very Few of Us

5. To do what is right, pursue some ideal, such as justice.

Developing Moral Judgment

External Sources of a Manager's Values

- Religious values
- Philosophical values
- Cultural values
- Legal values
- Professional values

Developing Moral Judgment

Internal Sources of a Manager's Values

- Respect for the authority structure
- Loyalty
- Conformity (traditionalism)
- Performance
- Results

Elements of Moral Judgment

