

# ADM1301E – BUSINESS IN SOCIETY

WEEK 5, LECTURE 1

ETHICS IN BUSINESS – PT 1 (THEORETICAL CONCEPTS)

Professor John R. Palmer: BES, BA, MA



## Information session with your Academic Counsellors

### **Bachelor of Commerce students:**

Come meet your Academic Counsellors to discuss academic standing, regulations, graduation requirements, resources on campus and many more important subjects!

### **Thursday October 11**

10:00 a.m. (English) LMX 121

2:30 p.m. (French) DMS 4140

5:30 p.m. (Bilingual) DMS 1120



# Agenda



- Presentation from Student Services – Academic Progression
- From the last lecture
- What would you do if ...?
- Ethics in Business Pt 1 (Theoretical)
- For the next lecture

# From the last lecture



- There are still students scheduled to write the quiz today: please do not discuss the questions
- Intent is to return the marked quizzes on Wednesday
- Next Monday we will re-align the groups

# What would you do if?

5

- What are the ethical implications in this incident? What stakeholders are involved?
- What are the arguments for and against “stripping” the résumé?
- Which ethical principles are most appropriate to assess the ethical implications of this situation?
  - ▣ Self-interest ethic: job is needed
  - ▣ Personal virtues ethic: can the job-seeker live with the deception?
  - ▣ Utilitarian ethic: consider the harm to others
  - ▣ Universal rules ethic: what would others do in the same situation



# Ethics in Business Pt 1 (Theoretical Concepts)

ADM1301E

## Why “Doing the Right Thing” is Not Good Enough

7

- It is not a satisfactory standard or guide as it is too open-ended and open to many interpretations.
- “Right” is in the eye of the beholder and thus could have many meanings.
- Accountability is not achieved with this approach as there is no standard to measure or judge against.
- Instead, accountability is achieved by organizational processes and structures.

# Remember...

8

- ❑ Everyone is confronted by moral dilemmas. We are all faced with difficult moral decisions.
- ❑ Ethical breaches can never be eliminated. It is idealistic or naïve to think otherwise.
- ❑ But, there should be a system to keep wrongs to a minimum.
- ❑ Individuals and organizations strive towards increasing the likelihood of “getting it right” through some systematic and thoughtful approach.

# Business Ethics - definitions

9

- *Ethics of business*: rules, standards, codes, or principles that provide guidelines for morally right behaviour and truthfulness in specific situations.
- *Value judgments*: subjective evaluations of what is considered important.
- *Moral standards*: the means by which individuals judge their actions and the actions of others.

# Potential Ethical Implications for Business

10

## **OWNERS**

Reporting to shareholders fairly (disclosure)  
Treatment of minority shareholders  
Paying fair dividends  
Appropriateness of diversification

## **EMPLOYEES**

Hiring practices  
Preferential treatment  
Nepotism  
Promotion  
Training and education  
Evaluation and appraisal  
Testing (integrity tests)  
Firing practices  
Employment security  
Just cause  
Dismissal procedures  
Layoffs  
Downsizing procedures  
Wages and working conditions  
Fair wages  
Profit sharing  
Stability of work  
Feedback on performance  
Private lives versus company lives  
Control over personal time/activities  
Right to privacy  
Discrimination  
Gender  
Age  
Minorities  
Race and social origin  
Honesty

Calling in sick to take a day off  
Using company services for personal use  
Conducting personal business on company time  
Claiming credit for someone else's work  
Passing blame for mistakes to others  
Pilfering materials and supplies  
Padding expense accounts  
Unions  
Bargaining with in bad faith  
Allowing unions to form and operate  
Conflicts of interest  
Bribery  
Payola  
Extortion and gifts  
Moonlighting  
Kickbacks  
Whistle-blowing  
Secrecy and espionage  
Insider information  
Obligations to former employers  
Secrecy and the public interest  
Saboteurs/hackers

## **CONSUMERS AND CUSTOMERS**

Business practices  
Fraud, lying, and deception  
Disclosure in credit sales  
Advertising-dishonest  
Publicity and public relations  
Packaging and liability  
Product safety  
Overselling and other questionable selling practices  
Pricing practices  
Price fixing  
Price leadership  
Resale price maintenance  
Discriminatory pricing  
Bait and switch pricing  
Gimmicks  
Collusion with competitors

## **CREDITORS/LENDERS**

Disclosure of information  
Valuation of inventory

## **COMPETITORS**

Non-competitive behaviour  
Price-fixing  
Cooperation with competitors  
Unfair practices  
Unfair competition  
Restraint of trade  
Pricing below cost  
Stealing personnel  
Industrial espionage  
Preventing foreign competition

## **SUPPLIERS**

Maintaining a balanced, professional relationship  
Respect for efforts and costs  
Timely payment of invoices  
Exploitation of captive suppliers  
Unfair pressure tactics  
Questionable practices  
Kickbacks  
Gifts, bribes  
Receiving stolen goods  
Outsourcing

## **GOVERNMENT**

Compliance with laws and regulations  
Political contributions in return for favours  
Lobbying  
Honesty in tax returns  
Accurate reporting

## **SOCIETY AT LARGE**

Good corporate citizenship  
Respect for the environment  
Pollution  
Conservation of resources  
Recycling and waste reduction  
Discrimination in employment practices  
Conditions to corporate giving

# Ethical Implications in Business

11

- Owners
  - ▣ fair and accurate disclosure
- Employees
  - ▣ hiring; firing; wages; privacy; discrimination; honesty; conflicts of interest; insider information
- Consumers
  - ▣ dishonest advertising; product safety
- Competitors
  - ▣ non-competitive behaviour; industrial espionage
- Suppliers
  - ▣ kickbacks; gifts; bribes
- Government
  - ▣ legal compliance; lobbying
- Society
  - ▣ respect for environment; corporate giving

# Influences on Ethical Behaviour

12

- Individual morals
- National and ethnic cultures
- Government legislation and regulation
- The legal system
- Religion
- Colleagues or peers
- Education

# Influences on Ethical Behaviour

13

- Media
- Corporate mission, vision, and values statements
- Union contracts
- Competitive behaviour
- Activists or advocacy groups (NGOs)
- Business or industry organizations
- Professional associations

# Self-Interest (Ethical Egoism)

14

- Individuals or corporations set their own standards for judging the ethical implications of their actions; only the individual's values and standards are the basis for actions.
- Self-interest not necessarily the same as: selfishness, greed, disregard for the rights and interests of others, hedonism, or materialism.

# Personal Virtues Ethic

15

- An individual's or corporation's behaviour is based upon being a good person or corporate citizen with traits such as courage, honesty, wisdom, temperance, and generosity.
- Ask, how would I feel if my actions were explained on television?

# Ethics of Caring

16

- Gives attention to specific individuals or stakeholders harmed or disadvantaged and their particular circumstances.
- Golden rule: Do unto others as you would want done to you.

# The Golden Rule

17

- Christianity
  - All things whatsoever ye would that men should do to you, do ye so to them; for this is the law and the prophets. (Matthew 7:1 )
- Confucianism
  - Do not do to others what you would not like yourself. Then there will be no resentment against you, either in the family or in the state. (Analects 12:2 )
- Buddhism
  - Hurt not others in ways that you yourself would find hurtful. (Udana-Varga 5,1 )
- Hinduism
  - This is the sum of duty; do naught onto others what you would not have them do unto you. (Mahabharata 5,1517 )
- Islam
  - No one of you is a believer until he desires for his brother that which he desires for himself. (Sunnah )
- Judaism
  - What is hateful to you, do not do to your fellowman. This is the entire Law; all the rest is commentary. (Talmud, Shabbat 3id )
- Taoism
  - Regard your neighbor's gain as your gain, and your neighbor's loss as your own loss.(Tai Shang Kan Yin P'ien)
- Zoroastrianism
  - That nature alone is good which refrains from doing another whatsoever is not good for itself. (Dadisten-I-dinik, 94,5 )

# Government Requirements Ethic

18

- The acceptance of a code of laws as the governing rules of society or as a contract with society that determines what is considered right or appropriate behaviour.
- The law represents the **minimum moral standard.**

# Utilitarian Ethic

19

- Focuses on the distribution of benefits and harms to all stakeholders with the view to maximizing benefits.
- “The greatest good for the greatest number.”

# Universal Rules Ethic

20

- Ensures that managers or corporations have the same moral obligations in morally similar situations.
- Treat people as means in themselves (i.e., with respect) and never as a means to one's own ends.

# Individual Rights Ethic

21

- Relies on a list of agreed upon rights for everyone that will be upheld by everyone and that becomes the basis for deciding what is right, just, or fair.
- Examples: Rights to safety, information, privacy, property.

# Economic Efficiency Ethic

22

- Judges the moral implications of a decision by its economic consequences and provides the moral justification for a market system.
- Adam Smith: By focusing on efficient operations, profits are maximized, and society ultimately benefits.

# Ethics of Justice

23

- Considers that moral decisions are based on the primacy of a single value: justice.
- Different types of justice:
  - ▣ Procedural justice
  - ▣ Corrective justice
  - ▣ Retributive justice
  - ▣ Distributive justice

# Moral Reasoning Process

24

- Define moral issue or decision
- Gather all relevant information
- Identify the stakeholders involved
- Develop possible alternative solutions
- Consider applicable value judgments, moral standards, ethical principles
- Identify harms/benefits to stakeholders
- Determine practical constraints
- Decide on action

# Kohlberg's Stages of Moral Development

25

- Pre-Conventional Level (Self)
  - Stage 1 – Punishment and obedience orientation
  - Stage 2 – Individual instrumental purpose/exchange
- Conventional Level (Others)
  - Stage 3 – Mutual interpersonal expectations
  - Stage 4 – Law and order orientation
- Post-Conventional Level (Humankind)
  - Stage 5 – Social contract orientation
  - Stage 6 – Universal ethical principle orientation

# Challenges of Ethics in Business

26

- Indicating ‘just do the right thing’ is insufficient (i.e., too open ended)
- It’s not easy to be ethical
- Unethical behaviour not just due to a few bad apples
- People always have been (and always will be) unethical
- Most believe (due to implicit bias) that they behave ethically towards others

# Myths of Business Ethics

- “It’s Easy to Be Ethical”
  - Ethical decisions are complex
  - Ethical theories are complex
  - Moral awareness (ethical recognition, ethical sensitivity) is necessary
  - Ethical decision making is a complex, multi-stage process
  - Organizational context creates additional pressures and complexity
- “Unethical behaviour in business is simply the result of ‘bad apples’”
  - First react is to look for culprit who can be punished and removed
  - Most are followers when it comes to ethics; they engage in unethical conduct when directed by boss.
  - Ethics cannot be taught or adults influenced. Not true.
- “Ethical leadership is mostly about leader integrity”
  - Managers must lead others to behave ethically
  - Hypocritical Leader = Strong moral manager and weak moral person
- “Ethics can be managed through formal ethics codes and programs”
  - Compliance vs. integrity
  - Ethical culture necessary every day
  - Unethical Leader = Weak moral manager and weak moral person
  - Ethical Leader = Strong moral manager and strong moral person
  - Ethically Silent Leader = Weak moral manager and strong moral person
- “People are less ethical than they used to be.”

# Where are you?



0 1 2 3 4 5 6 7 8 9

Less

More

Ethical

Ethical

## Why?

# Questions, concerns, comments



# For next lecture



- Review case 5.2 on page 114: “Ethical Responsibility”
  - (1.2, 3.2, 4.2, 13.2, 5.2, 6.1, 7.1, 8.2)
- Read Chapter 6