

# Contemporary Business Ethics

- Companies hire a ethics officers to:
  - Develop ethics policies
  - Listen to complaints of ethics violations
  - Investigate ethics abuses
- Sarbanes-Oxley Act (SOX) of 2002
  - Established higher standards for corporate responsibility and governance

# **Food for Thought...**

**2014 National Business  
Ethics Survey found a  
decline in observed  
misconduct in the workplace**

# Contemporary Business Ethics

## Ethics

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graph TD; Ethics --> Society; Ethics --> Government;
```

### **...and Society**

- Changing values
- Economic interdependence
- News media and the Internet

### **...and Government**

- Government may take action
- Companies can self-regulate

# Ethics and Morality

- **Morality:** Values that guide one's behavior
  - Sharing moral values promotes social cooperation and control
  - Businesses need to instil shared moral values in employees
- **Ethics:** Formal system for deciding what is right and wrong and to justify moral decisions
- **The good:** Moral goals and objectives one chooses to pursue

# Ethics and Law

- Society's ethical values may become law through:
  - Legislation
  - Court decisions
- Many ethical values are not enforced by the state
- Motivation to follow laws and ethics differ
- Ethical systems involve a broader-based commitment to behavior than the law

# Systems of Ethics

## Formalism

Affirms absolute  
morality

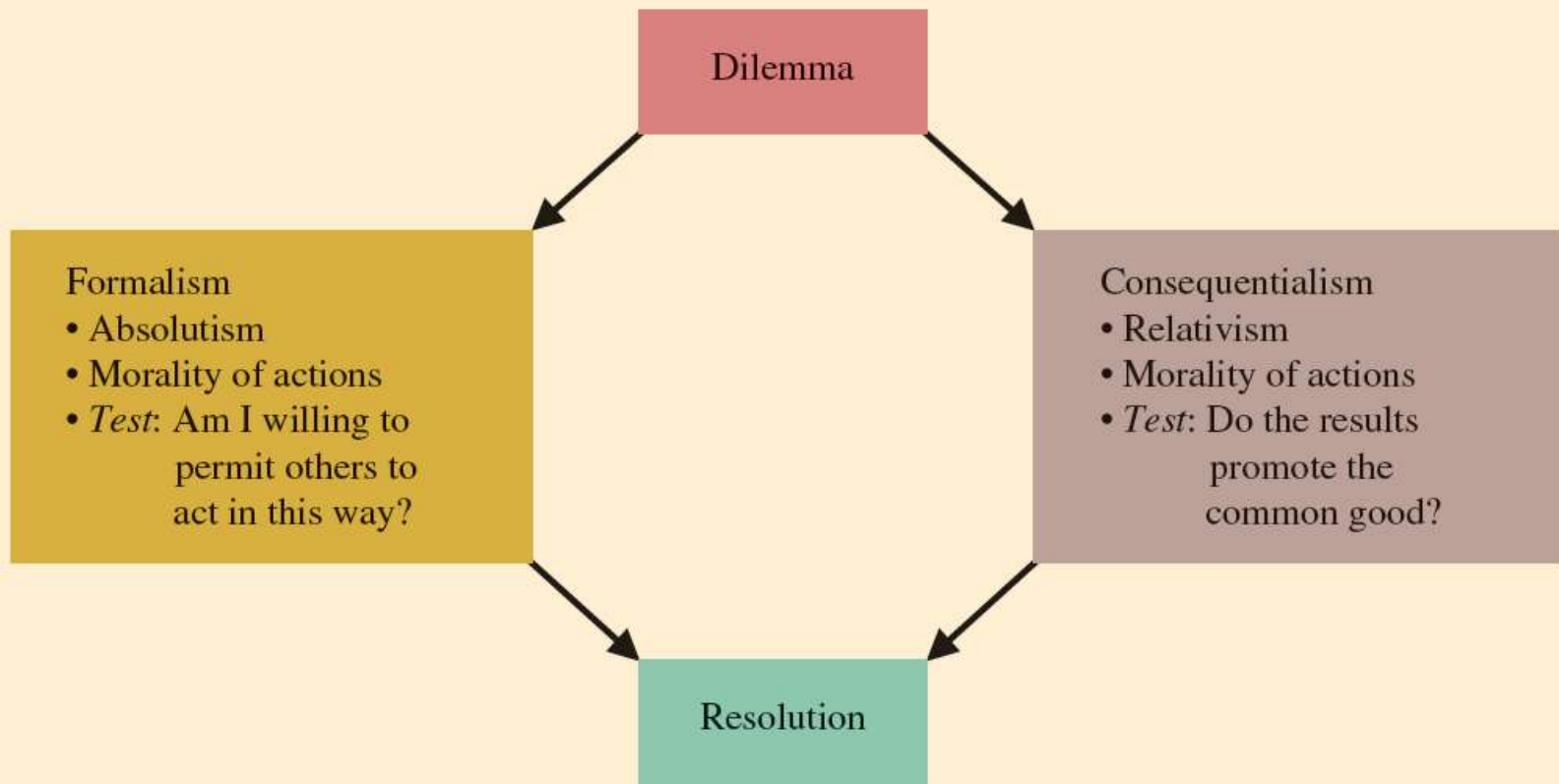
- Duty based view
- Categorical imperative
- Social contract

## Consequentialism

Concerned with moral  
consequences of  
actions

- Utilitarianism
- Protestant ethic

# Figure 2.1 - A Common Result



**pop pop pop**

**QUIZQUIZQUIZ**

**Philosophers call the end result of ethical examination –**

- a. The good**
- b. The bad**
- c. The ugly**
- d. The rule of law**



**think think think**

**TANK TANK TANK**

**Is there a relationship between  
law and ethics?**

- a. Yes**
- b. No**

# Sources of Values for Business Ethics

Legal  
regulation

Professional  
codes of  
ethics

Organizational  
codes of  
ethics

Individual  
values

# Legal Regulation - Ethical Rules Drawn from the Law

Respect liberty and rights of others

Act in good faith

Exercise due care

Honor confidentiality

Avoid conflicts of interest

# Professional Codes of Ethics

- Certain professions have long traditions of codes of ethical conduct
  - More recent professions have developed and adopted their codes
- Ethical codes of organizations are a form of **self-regulation**

# Organizational Codes of Ethics

- Businesses have adopted ethical codes at the individual organization level
  - Take varied approaches to suit their organizations
- Effective implementation and enforcement of codes is more important than its creation

# Individual Values: Self-Examination

1. Have I thought if my action is right or wrong?

2. Will I be proud to tell of my action?

3. Am I willing for everyone to act like me?

4. Will my decision cause harm?

5. Will my actions violate the law?

**Questions to ask yourself to help explore ethical values before making decisions**

# Achieving Ethical Business Corporation

## ➤ Obstacles

- Emphasis on profit conflicts with ethical responsibility
- Effect of the group
  - Individuals feel less responsible
- Control of resources by non-owners
  - Managerial agents can manipulate resources in their own interest

# Steps to Promote Business Ethics in Corporate Life

- Involve top management
  - Top management should act as a role model
    - Must believe in the expressed values
- Openness in communication
  - Promotes trust
  - Required due to the complexity of information
- Consideration of stakeholders
  - **Stakeholder theory:** Directors and managers must take into account its stakeholders whose interests the corporation impacts



# Rewards

- Popular observations about business ethics
  - Profits and ethics are not contradictory
  - Ethical organizational life is a business asset
  - Ethics are of concern to the business community
    - Requires constant re-evaluation
  - Business ethics reflect business leadership

**think think think**

**TANK TANK TANK**

**Can an act be ethical but  
not legal?**

- a. Yes**
- b. No**

**think think think**

**TANK TANK TANK**

**Can an act be legal but  
not ethical?**

- a. Yes**
- b. No**

# Can a Business Have a Conscience?

- Personhood rights of a corporation have been recognized in the law
- Laws that force individuals' to violate a religious value are problematic