



Ethics



Εθικες?

CHAPTER ONE: WHY STUDY ETHICS?



# Chapter 1 Objectives:

- ▶ After this chapter you should be able to:
  - ▶ Identify reasons why the study of ethics is important
  - ▶ Explain the nature and meaning of business ethics
  - ▶ Explain the difference between ethical values and other values
  - ▶ Clarify the difference between ethics and the law
  - ▶ Describe the distinction between ethics and ethos
  - ▶ Introduce the distinction between personal morality, virtues, and social ethics

# Discussion Case: Barclays Bank





# Discussion Questions

- ▶ Identify what ethical issues and questions are involved in the Barclays case.
- ▶ In what ways did the fraudulent actions of Barclays contribute to the 2008 international financial meltdown?
- ▶ Do you think that Barclays' fraudulent actions were mitigated by the fact that other banks acted similarly and that regulators were aware of Barclays' actions?
- ▶ To what degree was this case mostly a failure of individuals, or organizational structure, or of government?
- ▶ Can you imagine anything that could have prevented Barclays' fraud?

# Why study Business Ethics?

- ▶ What should the goals of a business ethics class be?



# Why study Business Ethics?



- ▶ Three intellectual capacities:
  - ▶ A better understanding of ethical issues
  - ▶ A more finely tuned set of analytical tools
  - ▶ A refined sensitivity to the value of leading an ethical life

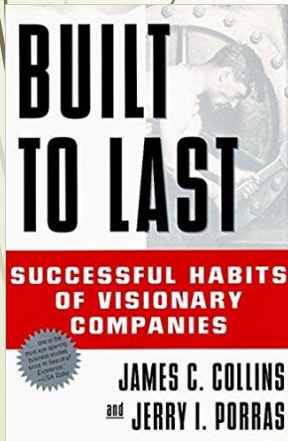
# Why study Business Ethics?

- ▶ Why do you need to be concerned with ethics?
  - ▶ Sarbanes-Oxley (SOX)
  - ▶ Risk Management
  - ▶ Be prepared for the realities of business
  - ▶ We are all affected by how ethically companies behave



# Values and Ethics: Doing Good and Doing Well

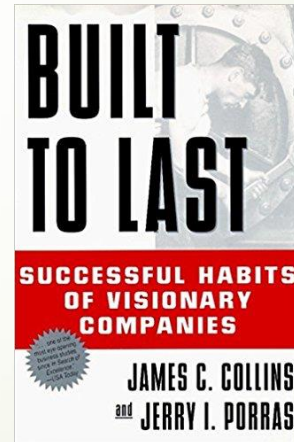
- ▶ Built to Last: Successful Habits of Visionary Companies by James Collins and Jerry Porras
- ▶ Key finding: Exceptional and enduring companies place great emphasis on a set of core values
- ▶ These core values are essential and enduring tenets defining the company, and not to be compromised for financial gain





# Companies cited by Collins & Porras

- IBM
- Johnson & Johnson
- Hewlett Packard
- Procter and Gamble
- Wal-Mart
- Merck
- Motorola
- Sony
- General Electric



# What are values?

- ▶ Those beliefs or standards that incline us to act, or to choose in one way rather than another
- ▶ A company's core values are those beliefs and principles that provide the ultimate guide in the company's decision-making



## RESPONSIBILITY

We will take ownership and pride in our work. We will act with integrity and be accountable for our behaviour.



## RESPECT

We will act fairly in a culture of mutual trust and respect.



## TEAMWORK

We will work together because we know that a strong team will always outperform strong individuals.



## ASPIRATION

We will aspire to be the best we can be. We will recognise and celebrate success.

# Corporate Culture

- ▶ Another way of saying a corporation has a set of identifiable values
- ▶ However, there is no “right” set of core values





# Values vs. Ethical Values

- ▶ What are the ends that our core values serve?
  - ▶ Financial values serve monetary ends
  - ▶ Religious values serve spiritual ends
  - ▶ Aesthetic values serve the end of beauty
  - ▶ What ends are served by ethics?

# Elements of Ethical Values

- ▶ Ethical values serve the ends of human well-being
- ▶ The well-being promoted by ethical values is not personal and selfish well-being
- ▶ No one person's well-being is to be counted as more worthy or valuable than any other's
- ▶ Ethical values promote human well-being in an impartial way



# Disagreements about Ethics

- ▶ People disagree about what ethics commits us to, and what ends are served by ethical values
- ▶ Ethical values can conflict, and may result in serious illness and death to others
- ▶ So, how do you decide if a company is an ethical company?



# Malden Mills



- ▶ December 11, 1995 – A fire destroys most of Malden Mills, the manufacturer of Polartec
- ▶ The last major textile manufacturer in town with 2,400 employees; community life's blood
- ▶ Malden Mills provides fabric to L.L. Bean, Land's End, J. Crew and Eddie Bauer
- ▶ Aaron Feuerstein, the owner pledged to rebuild the plant, keep jobs in the community and pay his employees until work resumes



## Malden Mills (cont.)

- ▶ The factory was rebuilt and reopened in one year
- ▶ Employees came back to work
- ▶ The community seemed to recover
- ▶ Malden Mills filed for bankruptcy protection
- ▶ Eventually controlled by creditors
- ▶ Remaining employees voted to authorize a strike in December 2004





# The Nature and Goals of Business Ethics

- ▶ Business ethics refers to those values, standards and principles that operate within business
- ▶ Business ethics is also an academic discipline that studies those standards, values and principles while seeking to articulate and defend the ones that ought or should operate in business



# BUT...

- There is a growing body of literature in business ethics about the right ways to teach and learn business ethics
- There are a set of principles, standards, concepts, and values common to business ethics

# Ethical Judgment vs. Behavior

- ▶ From the time of Aristotle, we have noticed a discontinuity between judging some act as right and behaving rightly
- ▶ Knowing what is right is different from doing what is right
- ▶ People vary in strength of character and motivation and fortitude



# The Goals of Business Ethics

- ▶ To treat students as active learners
  - ▶ To engage students in an active process of thinking and questioning
  - ▶ To allow students to think for themselves
  - ▶ To deal with the mess of relativistic conclusions
- ▶ “The unexamined life is not worth living.”  
—Socrates



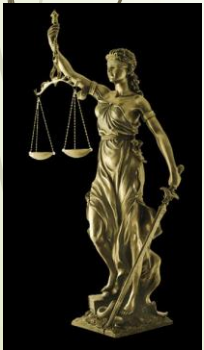
# Reasoning and Business Ethics

- ▶ The process of ethical reasoning must be emphasized
- ▶ Reasoning is distinct from answers
- ▶ Begin with an accurate and fair account of the facts from all “sides”
- ▶ Be objective and open-minded
- ▶ Analyze each issue fully and rigorously



# Business Ethics and the Law

- ▶ Compliance with the law will prove insufficient for ethically responsible businesses
- ▶ The Law is rife with ambiguity; many acts are not illegal until a court rules that they are
- ▶ Court cases demonstrate that you cannot always rely on the law to decide what is right or wrong





# Ethics and Ethos

- ▶ The word ethics is derived from the Greek ethos, meaning “customary” or “conventional”
- ▶ To be ethical in the sense of ethos is to conform to what is typically done, to obey the conventions and rules of one’s society and religion

# Ethos



# Philosophical Ethics

- Denies that simple conformity and obedience are the best guides to living
- Rejects authority as the source of ethics
- Defends the use of reason as the foundation of ethics
- Seeks a reasoned analysis of custom and a reasoned defense of how we ought to live





# Philosophical Ethics

- Distinguishes what people do value from what people should value
- Requires we stand back, abstract ourselves from what is typically done, and reflect upon whether or not what is done, should be done
- The difference between what is valued, and what ought to be valued, is the difference between ethos and ethics



# Morality, Virtues and Social Ethics

- ▶ Morality: How should I live my life? How should I act? What should I do? What kind of person should I become?
- ▶ Virtues: character traits that constitute a life worth living
- ▶ Social Ethics: How ought society be structured? How ought we live together?



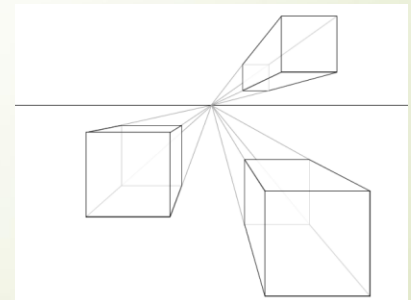


# Business institutions are human creations

- ▶ Humans can not avoid responsibility for something they have created or contributed to
- ▶ Business institutions have a tremendous influence on human lives and the quality of human life
- ▶ As business people, we face particular business decisions about our corporations, but as citizens, we have to decide whether or not to regulate those businesses for the public good

# Ethical Perspectives

- ▶ Managerial ethics: What should a business manager do in various situations?
- ▶ The types of questions asked will vary from perspective to perspective
- ▶ All decisions faced by business managers, from finance to marketing to ethics and human resources, exist in a social and legal context



# Model for Ethical Decision Making

- Understand the Facts
- Identifying the Ethical Issues Involved
- Identifying All Stakeholders
- Understanding How Those Stakeholders Will Be Affected
- Employing Moral Imagination to Understand Alternatives
- Considering How Others Will Judge Your Decision
- Making a Decision and Monitoring and Learning From the Results

