Chapter 3 - Business Ethics

The need for Business ethics
- **Ethics** is the study of right and wrong behavior.
- Whether an action is fair, right or just.
- In business, ethical decisions are the application of moral and ethical principles to the marketplace and workplace.

The need for Business ethics
- Why Is Studying Business Ethics Important?
  - Profit maximization
  - Rise of corporate citizenship
    - **Triple bottom line**: a corporation's profits, its impact on people, and its impact on the planet

- The Importance of Ethics in Making Business Decisions
  - Businesses should evaluate:
    - Legal implications
    - Public relations impact
    - Safety risks for consumers and employees
    - Financial implications
  - Long-run profit maximization
  - The Internet can ruin reputations
  - Image is everything

- The Relationship of Law and Ethics
  - **Moral minimum**: minimum degree of ethical behavior expected of a business firm, which is usually defined as compliance with the law.
  - Ethics and company codes of ethics
  - Ethical uncertainty and "grey areas"
    - Make it difficult for companies to navigate and forecast.

Business ethics and social media
- Hiring Procedures
  - Employers use of social media searches
- The Use of Social Media to Discuss Work-Related Issues
  - Company guidelines for appropriate social media usage
  - 2012 NLRB ruling
- Ethics in Reverse
  - Employee ethics

Approaches to ethical reasoning
- Duty-Based Ethics
  - Derived from religious or philosophical principles
  - Religious ethical standards
  - The principle of rights
  - Kantian ethical principles

- Outcome-Based Ethics: Utilitarianism
  - An action is ethical based on whether it produces the greatest good for the greatest number of people upon which it has an effect.
  - If it affects the majority adversely, it is morally wrong.

- Corporate Social Responsibility (CSR)
  - Those who manage corporations should be accountable to society for their actions.
  - Social aspects of CSR
  - Corporate aspects of CSR
  - **Stakeholders**: groups other than shareholders affected by corporate decisions

Making ethical business decisions

- People entering the global corporate community must be prepared to make hard decisions.
- A Systematic Approach
  - Inquiry
  - Discussion
  - Decision
  - Justification
  - Evaluation

- The Importance of Ethical Leadership
  - Attitude of top management
    - Commitment to ethical decision making
    - Setting realistic production or sales goals
    - Not accepting ethical transgressions of others
  - Behavior of owners and managers
  - The Sarbanes-Oxley Act
    - Requires companies to set up confidential systems so that employees and others can "raise red flags" about suspected illegal or unethical auditing and accounting practices

Global business ethics

- Employment Practices of Foreign Suppliers
  - Many U.S. firms contract with companies in other nations to produce goods
  - U.S. companies must remain aware of the practices of those foreign companies.

- The Foreign Corrupt Practices Act
  - Prohibition against bribery of foreign officials
    - FCPA does not permit "grease" payments to minor officials.
    - Nor does FCPA prohibit payments to foreign officials which are lawful in that country.
  - Accounting requirements
    - FCPA prohibits anyone from making false statements to accountants or false entries in a record or account.