ETHICS
OF
BUSINESS

Assignment

Business Law and Corporate Social Responsibility

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A S S I G N M E N T O N

ETHICS OF BUSINESS

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Introduction

Business ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer.

Many businesses have gained a bad reputation just by being in business. To some people, businesses are interested in making money, and that is the bottom line. It could be called capitalism in its purest form. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior.

Definition

Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world, the organization's culture sets standards for determining the difference between good and bad decision making and behavior.

In the most basic terms, a definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what is right. The phrase 'business ethics' can be used to describe the actions of individuals within an organization, as well as the organization as a whole

Business ethics are ethics that refer to the moral rules and regulations governing the business world. In other words, they are the moral values that guide the way corporations or other business make decisions. Some business ethics are imposed by law. For example, the Securities and Exchange Commission governs the way investment bankers and stock brokers do business, and court rules dealing with attorney client privilege dictate some ethical decisions for attorneys. However, there are also business decisions that do not fall within the guidelines of the law, in which ethical or moral judgments must be made..

In concept, business ethics is the applied ethics discipline that addresses the moral features of commercial activity. In practice, however, a dizzying array of projects is pursued under its rubric. Programs of legal compliance, empirical studies into the moral beliefs and attitudes of business people, a panoply of best-practices claims (in the name of their moral merit or their contribution to business success), arguments for (or against) mandatory worker participation in management, and attempts at applying traditional ethical theories, theories of justice, or theories of the state to firms or to the functional areas of business are all advanced as contributions to business ethics—even and especially in its academic literature. These projects vary considerably and often seem to have little in common other than the conviction, held by those who pursue them, that whatever each is pursuing is business ethics.

Almost everyone wants to live an ethical life, but knowing what that means is not as simple as it sounds! That's where the phrase "ethical dilemma" comes from. In some situations, there are two contrasting ideas that may seem ethical, but it is hard to determine which is actually the right course of action. Some common ethical dilemmas have little consequence: for example, is it right to tell a fib when someone asks you if they look fat or if their bad tasting dinner is delicious? The ethical dilemma there: which is more ethical, lying or being unkind? Other ethical dilemmas become a big more complex: for example, is it right to steal from the rich to give to the poor? Is it right to fight wars in the name of a good cause, even if innocent people are injured? The answers to these ethical questions depend on your definition of ethics!

History

Construed broadly as moral reflection on commerce, business ethics is probably as old as trade itself. If law is a rough guide to widely-held moral intuitions the prescribing prices and tariffs and laying down both rules of commerce and harsh penalties for noncompliance, evidences some of civilization's earlier attempts to establish the moral contours of commercial activity. Aristotle's Politics addresses explicitly commercial relations in its discussion of household management.

Although academic instruction explicitly devoted to the relationship between ethics and commerce can be found in U.S. business schools as early as the first three decades of the 20th century, particularly in Catholic colleges and universities, creation of academic positions dedicated explicitly to business ethics in U.S. business schools tracks closely waves of corporate scandal from the 1980s to the present. In 1987, in the midst of the insider trading scandal on Wall Street, former Securities and Exchange Commission head John Shad gave the Harvard Business School over $30 million for the purpose of starting a business ethics program there.

Academic business ethicists address questions that range across the functional areas of business, giving rise to various recognized specialties in business ethics (e.g., marketing ethics, finance ethics, accounting ethics). But despite the wide range of questions pursued, the bulk of the academic literature and discussion is focused more closely on (and much of the function-specific work is connected closely to) the large corporation whose ownership shares are traded on public exchanges.

Business ethics being part of the larger social ethics, always been affected by the ethics of the epoch. At different epochs of the world, people, especially the elates of the world, were blind to ethics and morality, which were obviously unethical to the succeeding epoch.

Ethical Behavior

Different people have different beliefs about what constitutes ethical behavior. The law defines what is and is not legal, but the distinctions between moral right and wrong are not always so clear. In many situations lines between right and wrong are blurred. Such situations can lead to ethical dilemmas.

When faced with ethical dilemmas, it's important to consider outcomes of the decision-making process. One way of dealing with ethical dilemmas is by using the four way test to evaluate decisions. This test involves asking four questions:

1. Is my decision a truthful one?
2. Is my decision fair to everyone affected?
3. Will it build goodwill for the organization?
4. Is the decision beneficial to all parties who have a vested interest in the outcome?

When these four questions can truthfully be answered with a "yes," it is likely that the decision is an ethical one.

Another way of making sure decisions are truly ethical is by using the publicity test. Ask yourself how you would feel if your actions were published in your hometown newspaper. If you would be comfortable having your parents, grade school teachers, and other people find out what you did, chances are that your decision is an ethical one. However, if you would not want these individuals to learn about your actions, you probably need to rethink your decision.

Factors that Affect Business Ethics

Ethical codes that govern businesses often address certain main areas. These areas, as compiled by the NIEHS branch of the U.S. National Institutes of Health include:

- Honesty
- Objectivity
- Integrity
- Carefulness
- Openness
- Respect for intellectual property
- Confidentiality
- Responsible publication
- Responsible mentoring
- Respect for colleagues
- Social responsibility
- Non-discrimination
- Competence
- Legality
- Human subjects protection

These principles apply more in some fields of business than others. For example, accounting ethics- especially for accountants of publicly held corporations- depends upon complete honesty and transparency. When accountants do not behave ethically, or violate these principles of ethics, shareholders can be harmed. For example, the accountants at Arthur Anderson did not behave with honesty, openness and responsible publication when auditing Enron. As a result, shareholders were harmed, the company collapsed, and some Arthur Anderson accountants were held legally liable for their breach of business ethics.

On the other hand, confidentiality is most important when it comes to attorney ethics. The law recognizes that attorneys have such a high moral obligation to keep their clients secrets confidential, that if an attorney violates this ethical duty, he can lose his license to practice law.

Human subjects protection, on the other hand, is most important when it comes to those in medicine or those conducting experiments on others such as psychologists. Peer review boards and other such institutions govern experiments designed to be conducted on human subjects to ensure that business ethics are followed and that experimenters make the best moral and ethical decisions.

The 9 Theories of Ethics

Because of the difficulty in defining ethics, which we've already begun to see, philosophers have given a lot of thought to this question. Since they haven't been able to come up with a clear answer either, they've provided 9 theories of ethics that can be used to determine the ethical course of action in a given situation:

1. Consequentionalism: An action is ethical, or not, depending on the consequences of the action
2. Values Clarification: Your ethics should be determined based on your internal values, and not what anyone else thinks
3. Utilitarianism: The action that has the best result for the most people is the ethical action
4. Moral Absolutism: An action is always moral or immoral, regardless of the circumstances
5. Situation Ethics: The ethical nature of an action is dependent on the situation, and decisions must be made out of love and helpfulness in the particular moment.
6. Ethical Realism: The ethical choice is the choice that is the lesser of two evils
7. Ethical Hierarcicalism: There are many possible choices on the continuum of ethical choices, and we must choose the choice that benefits the greater good
8. Principle Ethics: The ethical decision should be based on an underlying set of logical principles
9. Cognitive Moral Development: Ethical dilemmas should be

Importance of Ethics

So, why are ethics important? They are important because they keep people from doing what is wrong. If an individual has no ethics, he will do the wrong thing whenever he believes it will benefit him and that he can get away with it.

Ethics are different than laws, and different than doing the right thing as a result of fear of consequences. While something that is unethical might be illegal, there is not necessarily a perfect overlap. Furthermore, in many ways ethics can be even more important than the law, since the law will only deter a person from bad behavior if he fears penalty, while a person with a strong code of ethics will do the right thing just because it is the right thing.

If a person had no code of ethics, he could steal, as long as no one was watching. He could lie to his loved ones or to strangers, as long as the lie didn't rise to the level of criminal fraud. He could engage in all sorts of things that were "wrong" and "bad" as long as he didn't get caught.

Since the law can't possibly catch everyone each time they do something bad, and the law can't make every "wrong" action illegal, society would quickly fall apart if there were no ethical principles or moral rights or wrongs.

The Corporation in Business Ethics

Although self-conscious, academic business ethics is of recent vintage, its intellectual roots are found in the corporate social responsibility (CSR) and business-and-society literatures originating in law and in business in the early and middle 20th century. Academic business ethics displays its CSR heritage in the peculiar constellation of concerns that pervade its literature. The corporate focus is evident in the titles of early works of academic business ethics that have done much to shape the subsequent discussion in the field. Corporations and Persons, Rights, and Corporations (1985) take business ethics to be concerned centrally with questions about the corporation's proper role in and relationship to the social order. These questions, taken up by the field and continuing to inform its main conversation, are said to surround the “moral status of the corporation,” by which is meant typically one or both of: (1) Is the corporation a moral agent, distinct from the persons who compose it? (2) Morally, how or in whose interests ought the corporation to be managed?

The Employment Relation in Business Ethics

Falling neatly out of concern about the power of large, publicly traded corporations is a concern about the terms of employment they afford. The discussion of the employment relation in academic business ethics has crystallized into a debate over the relative moral merits of at-will employment terms and just cause employment terms, especially in light of the place each occupies in employment law.

At-will employment thus constitutes a default contract—it is the agreement that obtains between employers and employees absent an agreement to the contrary (e.g., a union contract). Over time both statutory and case law has carved out a number of exceptions to the at-will doctrine. Thus, the at-will doctrine will not protect an employer who uses the power of termination to engage in racial discrimination, punish an employee for refusing to violate the law, and so forth. Absent circumstances covered by the exceptions, however, the at-will doctrine remains the basic rule governing employment relations in most of the U.S.

Most of the discussion of the employment relation in academic business ethics concerns the fairness of the at-will doctrine and whether other terms of employment ought to be substituted for it through public policy initiatives. Indeed, the debate makes little sense outside the public policy context. Thus, at-will employment (or at least, dismissal without cause undertaken in accordance with the at-will doctrine) is incompatible with recognizing and respecting the employee's presented.

Argument may depend on an equivocation between giving employees reasons and giving employees reasons on the merits. That is, even if one accepts that, morally, employees as persons are owed reasons, it doesn't follow that the reasons they are owed are reasons that go to, e.g., their job performance, the firm's economic prospects, etc. The at-will doctrine supplies a reason. It says that the terms of our arrangement are such that any of us has the option to terminate it at our discretion. That, coupled with exercise of one's discretion, is sufficient reason to terminate the arrangement. Many decisions affecting persons are settled on the basis of reasons that do not refer to the merits of the case. At law, for example, a plaintiff's case may be dismissed because the statute of limitations has run, because it was filed in the wrong jurisdiction, because the court is not competent to hear the case, etc. None of these are reasons on the merits, but it would be strange to conclude that these dispositions of their claims fail to respect plaintiffs' presented.

Arguments advanced in defense of the at-will doctrine lean heavily on consequentiality Proponents attribute the vibrant labor market of the United States and the stagnant labor markets of Europe to the prevalence of the at-will doctrine in the United States and the prevalence of mandatory just cause employment rules in Europe. Mandatory just cause rules are a significant disincentive to job creation and to the pursuit of labor-intensive entrepreneurial ventures because they impose heavy record-keeping and infrastructure requirements on firms. The point is that employees can be protected from the ill-effects of arbitrary dismissal in two ways. One way, favored by just cause advocates, is legally.

International Business Ethics

Doing business transnational raises a number of issues that have no analogue in business dealings done within a single country or legal jurisdiction. International business ethics seeks to address those issues. Where ethical norms are in conflict, owing to different cultural practices, which ethical norms ought to guide one's business conduct in other nations and cultures? Some discussions of international business ethics conceive this home country/host country question as central. On one hand, adopting host country norms is a way to respect the host culture and its members. Thus, busyness persons are advised that when in Rome they ought to do as the Romans do—as in etiquette, so too in ethics. On the other hand, business persons are advised to resist host country norms that are morally repugnant. Therein lies the rub. When, for example, bribery of officials is central to doing business where you are, ought you to embrace the practice as a mark of cultural respect or forswear the practice on the grounds that it is morally repugnant?

One common approach in international business ethics is to refer to or to construct lists of norms that ought to guide transnational business conduct. Thus, for example, the United Nations' Universal Declaration of Human Rights or, more recently, the United Nations Global Compact, is advanced as a guide to conduct. The UN Global

Compact enjoins business firms to support and respect internationally recognized human rights, avoid complicity in human rights abuses, uphold freedom of association and collective bargaining, eliminate forced and compulsory labor, eliminate child labor, eliminate all forms of discrimination.

Employment, support a precautionary approach to environmental challenges, promote greater environmental responsibility, encourage the development of environmentally friendly technologies, and work against corruption in all its forms, including extortion and bribery. Alternatively, whether inspired by something like the UN Global Compact, a preferred moral theory, a preferred theory of justice, or some combination of these or other factors, other lists of norms are proposed as guides to the ethical practice of transnational business. These guidelines call for the avoiding harm, doing good, respecting human rights, respecting the local culture, cooperating with just governments and institutions, accepting ethical responsibility for one's actions, and making hazardous plants and technologies safe.

The problems with these approaches appear to be threefold. First, they tend to minimize or ignore competitive reality. Imagine that our firm takes seriously the UN Global Compact. We do business in a less developed country with longstanding environmental and corruption problems. We are implementing a significant environmental initiative in this country, but find that our ability to do so depends upon securing licenses from a corrupt government bureaucracy. If we refuse to pay bribes, we will be unable to implement our initiative and, moreover, we will lose market share and our economic rationale for locating operations in this country to competitors who have no compunction about paying such bribes. Ought we to pay bribes for the sake of environmental improvement and maintaining a presence in this country or forsake the environment and a presence in this country in order to strike a blow against corruption? Although not focusing explicitly on the international context, Ronald Green (1991) stands virtually alone in taking seriously the question of when and under what conditions ‘everyone's doing it’ is a moral justification—a question that arises regularly when doing business transnational and in competitive markets. Second, these approaches serve mainly to reduplicate the home country/host country question they are intended to help answer. Thus, when enjoined by the governments and institutions, which and whose sense of justice ought to guide the determination of whether the governments and institutions are to be cooperated with? Third, even when enjoining respect for local cultures and moral norms, these approaches tend to privilege Western conceptions of justice, fairness, and ethics.

Moreover, the more interesting home country/host country cases are those where home country norms are explicitly extraterritorial and incompatible with host country norms. In ‘Italian Tax Mores’, a case widely republished in business ethics textbooks and anthologies Arthur Kelly tells of American firms doing business in Italy. American securities regulations, accounting principles, and conceptions of commercial integrity require firms to account for their tax liability (including foreign tax liability) fully and correctly, with that liability matching what appears on their tax returns. Italian tax authorities, by contrast, take a firm's tax return to constitute not a full and correct accounting, but an initial negotiating position to which they then make a counteroffer. A firm's final tax liability is settled through negotiation between the tax authorities and the firm. Consequently, an American firm's tax liability for its Italian operations will likely never match what is reported on its tax return, in contravention of securities regulations, good accounting practice, and conceptions of commercial integrity back home. General principles of good conduct and hypothetical social contracts seem not to speak to what tax accountants and auditors ought to do, given the institutions and norms that actually confront them.

International business ethics has taken on a new urgency with the emergence of globalization. Low transaction and communication costs, driven by advances in computer and telecommunication technologies, have made the global market, once a metaphor (and at least for some, an aspiration), truly global. Transnational business is increasingly the rule rather than the exception, especially in the production of shoes, clothing, automobiles, and other commodity goods. Nowhere has this urgency been felt more acutely than in the debate over so-called sweatshop labor—the hiring of workers in less developed countries, usually at wages and under work conditions prevailing in those countries, to manufacture products for the developed world.

Criticism

The main conversation in academic business ethics is focused on the large, publicly traded corporation. It owes its prescriptions mainly to normative political philosophy, rather than moral theory. It speaks more to public policy toward business (and especially the large, publicly traded corporation) and the institutions of capitalism than it does to ethical business conduct, i.e., what one ought to be doing when one is doing business.

This criticism comes in milder and stronger variants. Andrew Stark calls instead for a business ethics focused more on the quotidian decisions and dilemmas of the middle manager. Criticisms are mild because he endorses generally the large, publicly traded corporate and organizational focus, seeking only to make the subject matter more practical and pitched more to the middle and less to the top-level manager. Joseph Heath (2006) finds academic business ethic's reduction of all issues to battles of stakeholder interests both myopic and misleading. In its place, he favors a methodological approach that sees unregulated market failures, rather than clashes of stakeholder interests, as the principal occasion for ethical deliberation and restraint.

In the stronger form, criticism of academic business ethics can focus on its apparent irrelevance to the vast majority of business persons in the world. That majority works neither for nor with (and certainly doesn't lead) large, publicly traded corporations, yet they surely engage in business. Whether characterized as micro-enterprises, small businesses, or in some other way, the great body of academic business ethics has little to say about the circumstances faced by that majority. Although conceptually the micro level business ethics of which Solomon writes speaks to the circumstances of that worldwide majority, in practice that micro ethics is little developed by and commands scant attention from academic business ethicists.

Business Ethics and Social Responsibility

Business ethics is a form of applied ethics that examines just rules and principles within a commercial context; the various moral or ethical problems that can arise in a business setting; and any special duties or obligations that apply to persons who are engaged in commerce. Generally speaking, business ethics is a normative discipline, whereby particular ethical standards are advocated and then applied.

It makes specific judgments about what is right or wrong, which is to say, it makes claims about what ought to be done or what ought not to be done. While there are some exceptions, business ethicists are usually less concerned with the foundations of ethics or with justifying the most basic ethical principles, and are more concerned with practical problems and applications, and any specific duties that might apply to business relationships.

Business ethics can be examined from various perspectives, including the perspective of the employee, the commercial enterprise, and society as a whole. Very often, situations arise in which there is conflict between one and more of the parties, such that serving the interest of one party is a detriment to the other(s). For example, a particular outcome might be good for the employee, whereas, it would be bad for the company, society, or vice versa. Some ethicists see the principal role of ethics as the harmonization and reconciliation of conflicting interests.

Ethical issues can arise when companies must comply with multiple and sometimes conflicting legal or cultural standards, as in the case of multinational companies that operate in countries with varying practices. The question arises, for example, ought a company obey the laws of its home country, or should it follow the less stringent laws of the developing country in which it does business.

To illustrate, United States law forbids companies from paying bribes either domestically or overseas; however, in other parts of the world, bribery is a customary, "accepted" way of doing business. Similar problems can occur with regard to child labor, employee safety, work hours, wages, discrimination, and environmental protection laws.

Business ethics should be distinguished from the philosophy of business, the branch of philosophy that deals with the philosophical, political, and ethical underpinnings of business and economics. Business ethics operates on the premise, for example, that the ethical operation of a private business is possible -- those who dispute that premise, such as libertarian socialists, (who contend that "business ethics" is an oxymoron) do so by definition outside of the domain of business ethics proper.

Business ethics is also related to political economy, which is economic analysis from political and historical perspectives. Political economy deals with the distributive consequences of economic actions. It asks who gains and who loses from economic activity, and is the resultant distribution fair or just, which are central ethical issues.

Ethics of Sales and Marketing

Marketing Ethics is a subset of business ethics. Ethics in marketing deals with the principles, values and/or ideals by which marketers (and marketing institutions) ought to marketing ethics too, like its parent discipline, is a contested terrain. Discussions of marketing ethics are focused around two major concerns: one is the concern from political philosophy and the other is from the transaction-focused business practice. On the one side, it is argued that the only ethics in marketing is maximizing profit for the shareholder. On the other side it is argued that market is responsible to the consumers and other proximate as well as remote stakeholders as much as, if not less, it is responsible to its shareholders.

Ethics of Production

This area of business ethics usually deals with the duties of a company to ensure that products and production processes do not cause harm. Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk.

Ethics and Technology

The computer and the World Wide Web are two of the most significant inventions of the twentieth century. There are many ethical issues that arise from this technology. It is easy to gain access to information. This leads to data mining, workplace monitoring, and privacy invasion.
Medical technology has improved as well. Pharmaceutical companies have the technology to produce life saving drugs. Patents protect these drugs and there are no generic drugs available. This raises many ethical questions

Law and Business Ethics

Very often it is held that business is not bound by any ethics other than abiding by the law. Milton Friedman is the pioneer of the view. He held that corporations have the obligation to make a profit within the framework of the legal system, nothing more. Friedman made it explicit that the duty of the business leaders is, “to make as much money as possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom". Ethics for Friedman is nothing more than abiding by 'customs' and 'laws'. The reduction of ethics to abidance to laws and customs however have drawn serious criticisms.

Counter to Friedman's logic it is observed that legal procedures are technocratic, bureaucratic, rigid and obligatory where as ethical act is conscientious, voluntary choice beyond normatively. Law is retroactive. Crime precedes law. Law against a crime, to be passed, the crime must have happened. Laws are blind to the crimes undefined in it Further, as per law, “conduct is not criminal unless forbidden by law which gives advance warning that such conduct is criminal’’. Also, law presumes the accused is innocent until proven guilty and that the state must establish the guilt of the accused beyond reasonable doubt. As per liberal laws followed in most of the democracies, until the government prosecutor proves the firm guilty with the limited resources available to her, the accused is considered to be innocent. Though the liberal premises of law is necessary to protect individuals from being persecuted by Government, it is not a sufficient mechanism to make firms morally accountable.

Corporate Ethics Policies

As part of more comprehensive compliance and ethics programs, many companies have formulated internal policies pertaining to the ethical conduct of employees. These policies can be simple exhortations in broad, highly generalized language (typically called a corporate ethics statement), or they can be more detailed policies, containing specific behavioral requirements (typically called corporate ethics codes). They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical problems that might arise in the course of doing business. It is hoped that having such a policy will lead to greater ethical awareness, consistency in application, and the avoidance of ethical disasters.

Business Ethics As An Academic Discipline

As an academic discipline, business ethics emerged in the 1970s. Since no academic business ethics journals or conferences existed, researchers published their papers in general management outlets, and attended general conferences, such as the Academy of Management. Over time, several peer-reviewed journals appeared, and more researchers entered the field. Especially, higher interest in business topics among academics was observed after several corporate scandals in the earlier 2000s. As of 2009, sixteen academic journals devoted to various business ethics issues existed.

Conclusion

In the end, it may be up to the public to make sure that a company adheres to correct business ethics. If the company is making large amounts of money, they may not wish to pay too close attention to their ethical behavior. There are many companies that pride themselves in their correct business ethics, but in this competitive world, they are becoming very few and far between.

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