



UNIT 18

Business Ethics

Learning Outcomes

By the end of this unit the learner will be able to:

- ❑ Understand the difference between ethics and morals
- ❑ Understand the value of ethics
- ❑ Identify some of your values and moral principles

Unit 18

Introduction to Business Ethics

What are Ethics?

Defining Ethics and Morals

Test your Knowledge

What are ethics?

What are morals?

What is an ethical decision?

The Grey Area

The problem is that everyone sees right and wrong in different ways. For example, in North America it is considered wrong to treat women different from men. In other cultures, this is perfectly acceptable and expected. Similarly, in North America bribery in business is illegal. In other cultures, again, this is perfectly acceptable and even expected.

Values Identification

Step One: Identifying Your Values

The list below reflects some common values. **Choose the ten that are most important to you** as a person (meaning that they apply both at work and at home). You can customize the wording, or add your own to the list.

Ability to make decisions and implement them	Ability to persuade and influence others	Achieving excellence
Achieving fame and recognition	Adventure and excitement	Behaving ethically
Being challenged by pressures and deadlines	Being organized and dependable	Being skilled and capable
Building a family	Building meaningful relationships with others	Competition with others
Contributing to society	Cooperation with others	Demonstrating expertise
Diversity in daily tasks	Doing something meaningful	Efficient and effective
Enjoying what you do	Environmental rights	Establishing a reputation
Expressing creativity	Feeling excited and stimulated by life	Feeling independent
Feeling of belonging and community	Feeling of inner harmony	Feeling of patriotism
Financial security	Financial wealth	Free speech/human rights
Freedom to set your own pace and goals	Having a feeling of security	Having power and control
Having privacy	Helping those in need	Religion and/or spirituality
Leading others to success	Moving at a fast pace	Moving at a slow pace
Being productive	Reliability	Self-development
Sense of accomplishment	Serving the public	Spontaneity

Truth and integrity	Working as part of a team	Working individually

We cannot focus on too many things at one time and remain effective, so look at the ten values you selected and **select the five that are most important** to you. Cross the others off. Be firm with yourself if you need to be. Remember, you are focusing on what is really important to you.

Next, **reduce the list to just three values**. These are the things at your very core. Cross the other two off your list. Put circles around the three items that are your core values.

Write your three top values below.

Bringing It All Together

Step Two: Defining Your Values

Now, outline what success for each of those values would look like.

Value One

Value Two

Value Three

Step Three: Put It All Together

Finally, bring the three statements together into one paragraph. You may feel that you need to go back and re-evaluate your values, or you may want to re-work some sentences to create what is meaningful to you. That's OK! Above all, this should be a reflection of your innermost thoughts and a roadmap for how you would like to conduct your life and your work.

Write your final value statement below.

Taking Your Moral Temperature, Part One

Instructions

Before we get into a discussion of how to resolve ethical dilemmas, let's consider how you think you would respond to these situations. As well, write down the things you considered when making your decision.

Scenario One

Your supervisor is home sick. He called you to ask you to tell anyone that asks that he is on a business day trip.

What would you do?

Scenario Two

You have found out that a particular team in your company will be laid off in six months. This is completely confidential and you're not supposed to know. However, your best friend is on that team. She just found out that she is pregnant, so she and her husband are planning to buy a home in the next few months.

What would you do?

Scenario Three

Money is tight and your spouse's birthday is coming up. One of your clients offered you free tickets to a major gala coming up, complete with a hotel room. The problem is that your company prohibits accepting these kinds of gifts.

What would you do?

Scenario Four

Two people on your team are secretly having an affair. They're both married and company policy prohibits inter-office dating.

What would you do?

Why Bother with Ethics?

Many people don't see the financial payoff for ethical behavior. Why give up that extra \$200 a month in false business travel expenses? The company doesn't need it and you do. Why not inflate your sales report for the year? It might mean a promotion.

In fact, there are several ways that ethical behavior can actually make your company money.

Customers choose ethics.

Customers will base their decision whether or not to shop with you partially on ethics. Think about it this way. If you had a choice between two car salespeople, one who has a reputation for selling stolen vehicles and one who has a reputation for ensuring that the customer gets all the information about a vehicle's past, which would you choose?

Customers appreciate ethics.

Let's say you've purchased a television from a local electronics store. The company calls you back the next day to let you know that you actually overpaid for the TV and that a check for the overcharged amount is in the mail. You'd probably be stupefied. Who admits their mistakes, especially when it costs them money? But the next time you wanted to make an electronics purchase, you would probably remember that incident and go back to that store. Customers reward ethical companies with loyalty.

Employees are more loyal to an ethical company.

If you're working for a company that lies, cheats, and steals, you're apt to think that the company will do the same to you, and you'll probably be less loyal to them as a result.

Ethical companies are more productive.

At one time or another, most of us have taken a sick day when we're really not sick. This is, in essence, lying to and stealing from the company. (Yes, sick days are a benefit of being an employee, but they do cost the company money and must be used wisely.) Studies have shown that employees in ethical offices take less time off and are more productive when they're in the office (probably because they're not gossiping and doing other unethical things!).

An ethical office means lower legal costs.

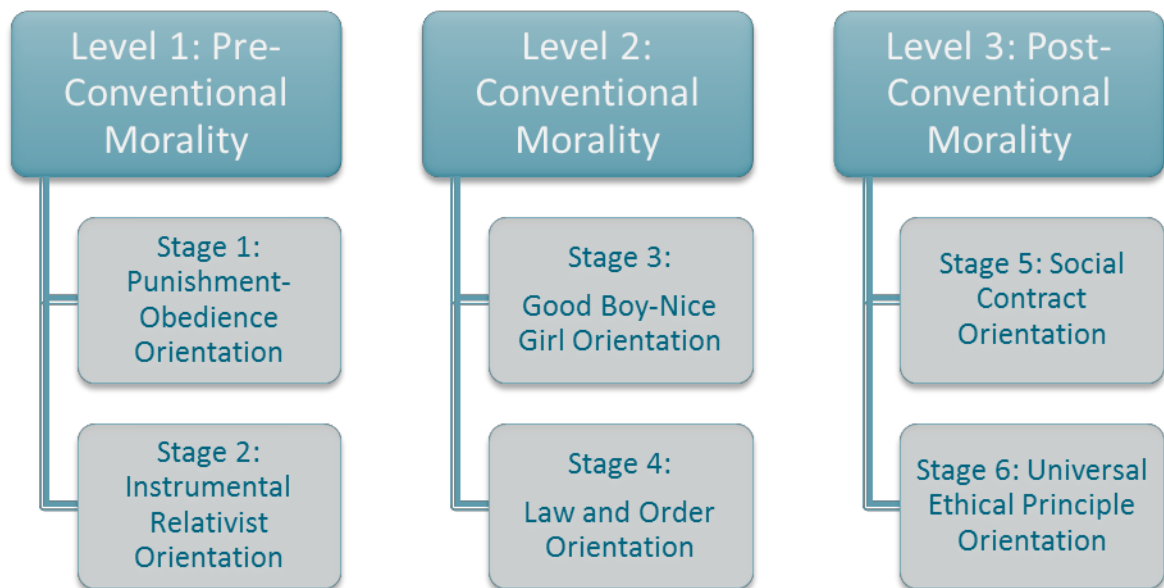
If your employees are in the habit of lying, cheating, and stealing, someone is going to get caught eventually and it will likely mean a big legal headache (and a big bill) for the company. Nipping unethical behavior in the bud can reduce your chances of a lawsuit.

Kohlberg's Six Stages

The Six Stages and Three Levels

Model Overview

In the early 1950's, psychologist Lawrence Kohlberg was a pioneer in the study of moral development. After over 20 years of study, he concluded that there are six main stages of moral development that fall into three levels.



(This interpretation is taken from *Moral Development: A Guide to Piaget and Kohlberg*, by Ronald Duska and Mariellen Whelen.)

There have been entire books written on this theory, but for our purposes, it isn't necessary to go into the deep ramifications of this study. Let's summarize Kohlberg's findings for you.

Level One: Pre-Conventional Morality

During these two stages of moral development, the person sees rules as something imposed on them. Moral decisions also often self-centered and based on the possible consequences of an action. Fear is often the motive for actions.

Children are often at these two stages in their early years. For example, a child may know not to harm their sibling because s/he will get in trouble and there will be unpleasant consequences.

Level Two: Conventional Morality

During these two stages of moral development, the person sees rules as something to be valued in and of themselves. The norms of their family, friends, and peers override the individual's motivations.

Teenagers are often at these stages; they will do something because their friends are doing it and it is a cultural norm. Adults are often at this stage as well; they will behave in a certain way because it is how they have been raised or in accordance with the law.

Level Three: Post-Conventional Morality

During these two stages, the person becomes capable of reflecting on and evaluating the norms and values of their society. At the first stage, the person becomes aware that there are many different value sets and norms around the globe and commits to valuing each one equally. They will emphasize a fair way of recognizing all sets of values and norms when making decisions.

At the second stage of this level, the person develops a set of moral principles chosen for their logistic value and universal application. These general principles act as the overriding foundation for all other moral principles.

Example

Let's say that a person is contemplating harming another individual. If the person is at the first level of moral development, they may refrain from harming another individual because they are afraid of the societal consequences (such as jail).

If the person is at the second level of moral development, they may refrain from harming another individual because they know that it is not an acceptable behavior. They may think, "What will my friends and family think if I go through with this?"

If the person is at the third level of moral development, they may refrain from harming another individual because they have developed a moral principle that states that each human life is valuable, regardless of that person’s actions or station in life. They are guided not by laws or societal norms, but by their own set of moral principles.

Different Levels for Different Situations

We should note that a person can be at different stages at the same time. For example, let’s say that Bob is committing minor theft at the office but he recently refrained from cheating on his spouse.

His logic for stealing at the office is, “It’s only a few pens and pieces of paper. No one will notice.” Bob is at Level One here; there are no consequences to stop his behavior. Without fear, there is no motivation for making an ethical decision.

However, his logic for not cheating on his spouse is, “Marriage is a sacred institution and must be respected at all times.” Bob is at Level Three here; theoretically, he could cheat and keep it a secret, avoiding punishment. (If he were at Level One, he may have made this type of decision.) He could also reason, “All my friends are doing it; it’s almost the norm these days.” (If he were at Level Two, he may have made this type of decision.) Instead of his decision being governed by threats of punishment or societal norms, he made an independent decision based on a pre-existing moral principle.

Identifying Stages

Scenario One

Jacob was out gambling and lost a significant amount of money. He considers taking it from the savings account he shares with his wife. He decides not to because he knows she will be very angry with him.

Level of Development

Decision at Level One

Decision at Level Two

Decision at Level Three

Scenario Two

Mohammed is a judge in a court system where he must be re-elected every year. He recently had to make a decision in a case of theft: should the person be sentenced to life in jail or executed? Mohammed knew that in similar cases, the guilty person had been executed. He also knew that there would be significant backlash from the voters if he let this person live. Despite the pressure, Mohammed chose to sentence the guilty person to life in jail.

Level of Development

Decision at Level One

Decision at Level Two

Decision at Level Three

Scenario Three

Mona recently witnessed another company employee taking food from the vending machine without paying. She didn't say anything, reasoning that everyone does it at times and this person must be in need.

Level of Development

Decision at Level One

Decision at Level Two

Decision at Level Three

Further Reading:

- ✓ *An Introduction to Business Ethics, Book by Joseph R. DesJardins, (2002)*
- ✓ *Business Ethics: Decision-Making for Personal Integrity and Social, Book by Chris MacDonald, Joseph R. DesJardins, and Laura Pincus Hartman (2007)*