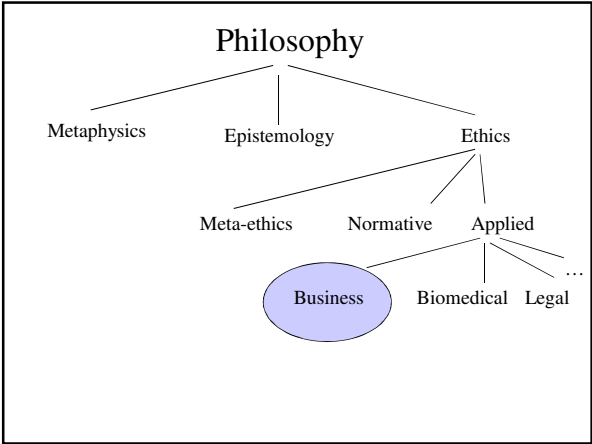


# Business Ethics

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# Business Ethics

**Business:** "An organized human endeavor that has, as its dominant end, economic enhancement or prosperity, or wealth" (Machan 90).

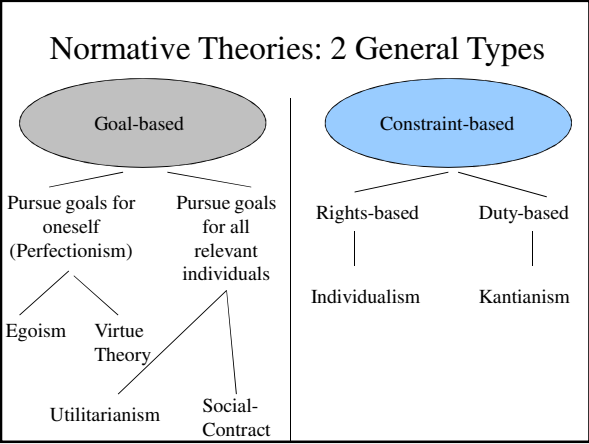
Justifying Business

The goal of business and the specific actions of business people must "be defensible by reference to the general tenets of whatever turns out to be the ethical theory that is most successful, most suited to the task of guiding us most consistently, coherently, and completely in our conduct" (Machan 90).

# Normative Theories

What should we use to evaluate actions?

1. Self-Interest (Egoism)
2. Rights (e.g. Individualism)
3. Outcome (e.g. Utilitarianism)
4. Duties (e.g. Kantianism)
5. Character (Virtue Theory)
6. Agreement (Social Contract, e.g. Rawls)



# Decision Procedure (Case Study Technique)

**Interests:** What are your interests (e.g. Egoism) and what are others' interests (e.g. Utilitarianism)?

**Rights:** If there are any rights involved, what are they (e.g. Individualism)?

**Duties:** If there are there any duties involved, what are they (e.g. Kantianism)?

**Virtues:** What are the relevant character traits (e.g. Virtue Theory)?

**Agreement:** How can we make a fair and peaceable deal considering all of the foregoing reasons (e.g. Social Contract Theory)?

## Business Ethics

Who are the **STAKEHOLDERS** (affected parties)?

1. Yourself
2. Supervisors
3. Stockholders
4. Employees
5. Peers
6. Suppliers
7. The Business
8. The Community
9. The Environment

## Issues: Business Ethics Timeline

**1960s: Environmental issues, Civil rights issues,** Increased employer-employee tension, Honesty, Changing work ethics, **Rising drug use.**

**1970s: Employee militancy, Human rights issues,** Covering up rather than correcting issues.

**1980s: Bribes and illegal contracting practices,** Influence peddling, **Deceptive advertising, Financial fraud,** Transparency issues.

**1990s: Sweatshops** and unsafe working conditions in 3<sup>rd</sup> world countries, **Rising corporate liability** for personal damages, Financial mismanagement and fraud.

**2000s: Cybercrime,** Financial mismanagement, International corruption, **Loss of employee privacy, Intellectual-property theft.**

"Business Ethics Timeline," *Ethics Resource Center*, [http://www.ethics.org/be\\_timeline.html](http://www.ethics.org/be_timeline.html) (2006).

## What Business People are Like:

10. Competitive
9. Egotistical
8. Manipulative
7. Pompous
6. Conniving
5. Cut-throat
4. Black-hearted
3. Ruthless
2. Greedy
1. Selfish

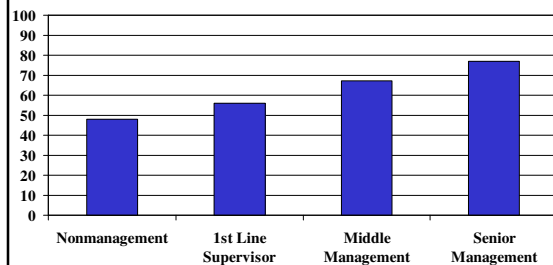
## Evaluating the Stereotype

- (1) Is the stereotype correct?
- (2) Is the stereotype reflective of how business people *should* act?
  - (a) Is it advantageous for them to act that way?
  - (b) Is it moral for them to act that way?

## Observed Misconduct

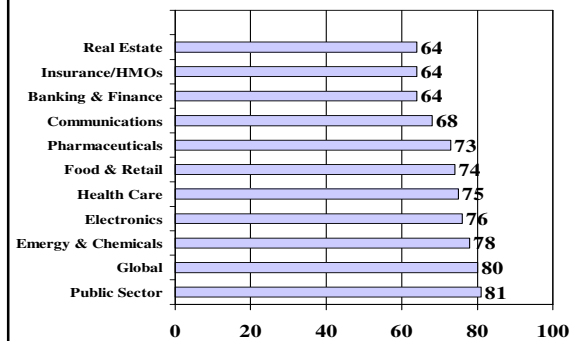
% of employees that saw misconduct

(By Employee Level)



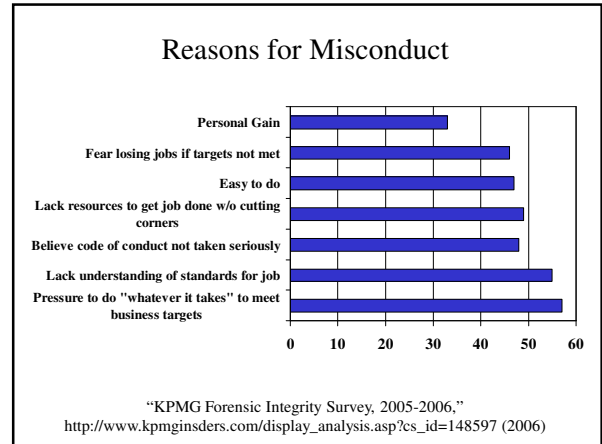
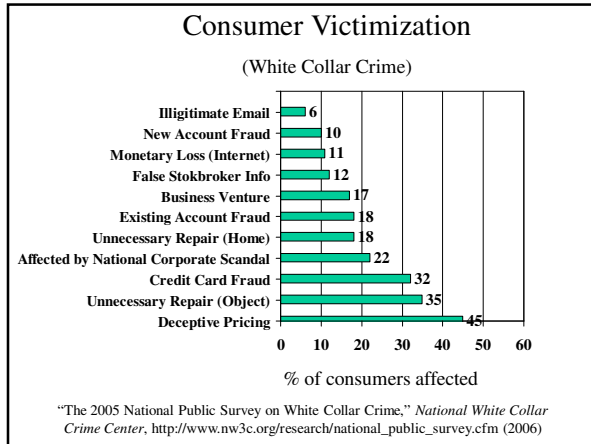
2005 National Business Ethics Survey: *How Employees Perceive Ethics at Work*, 2005, p. 30.

## Observed Misconduct (by Sector)



% of employees that saw misconduct

KPMG International, [http://www.kpmginsiders.com/display\\_analysis.asp?cs\\_id=148597](http://www.kpmginsiders.com/display_analysis.asp?cs_id=148597) (2006)



### Ethics Laws

1991 Organizational Sentencing Guidelines:  
Incentives of decreased sentences and fines for companies with ethics programs.

2001 Sarbanes-Oxley Act:  
Independent board audit, Code of ethics and code, Whistle-blower hotlines, Annual reports on effectiveness of financial reporting systems, financial statements signed by CEOs and CFOs. Penalties: Up to \$5 million and 20 years in prison.

2004 Organizational Sentencing Guidelines Revised:  
More oversight, training, and resources for ethics and a corporate ethical culture.

James C. Hyatt, “Birth of the Ethics Industry,” *Business Ethics*, Summer 2005, p. 27.