



Chapter 1

UNDERSTANDING ETHICS



CHAPTER OBJECTIVES

- After exploring this chapter, you will be able to:
 1. Define ethics.
 2. Explain the role of values in ethical decision-making.
 3. Understand opposing ethical theories and their limitations.
 4. Discuss ethical relativism.
 5. Explain an ethical dilemma and apply a process to resolve it.



BUSINESS ETHICS IS A PROCESS OF RESPONSIBLE DECISION-MAKING

- The scandals and ruin experienced since the Enron collapse were brought about by ethical failures.
- We will discuss a decision-making model that can help individuals to understand such failures and avoid future business and personal tragedies.

Why explore ethics in business?

Because

Ethics Failures = Business Failures

- “Ethics is about how we meet the challenge of doing the right thing when that will cost more than we want to pay” (The Josephson Institute of Ethics)

3

MGT404



WHAT IS “ETHICS?”

At its most basic level, ethics is concerned with how we act and how we live our lives.

- **Ethics** is a conception of right and wrong conduct. Ethics tell us whether our behavior is moral or immoral and deal with fundamental human relationships.
- Ethics involves what is perhaps the most monumental question any human being can ask:

How *should* we live?

- Ethics is, in this sense, *practical*, having to do with how we act, choose, behave, do things.
- Philosophers often emphasize that ethics is *normative*, in that it deals with our reasoning about how we *should* act.

4

MGT404



WHAT IS “ETHICS?”

What should I do? How should I act?

- This fundamental question of ethics can be interpreted in two ways.
- "We" can mean each one of us individually, or it might mean all of us collectively.
- In the first sense, this is a question about how I should live my life, how I should act, what I should do, what kind of person I should be.
- This meaning of ethics is sometimes referred to as **morality**, and it is the aspect of ethics that we refer to by the phrase “**personal integrity**.”
- So, what is ethics: How people try to live their lives according to a standard of “right” or “wrong” behaviors -- in both how we think and behave toward others and how we would like them to think and behave toward us.

5

MGT404



PERSONAL RESPONSIBILITY VS. SOCIAL RESPONSIBILITY?

- There will be many times within a business setting where an individual will need to step back and ask:

How *should* we live?

- Social ethics raises questions of justice, public policy, law, civic virtues, organizational structure, and political philosophy.
- In the second sense, “How should we live?” refers to how we live together in a community.
- ❖ **Business ethics** is concerned with how business institutions ought to be structured, about corporate social responsibility, and about making decisions that will impact many people other than the individual decision-maker.
- This aspect of business ethics asks us to examine business institutions from a *social* rather than an *individual* perspective.
- We refer to this broader social aspect of ethics as decision-making for **social responsibility**.

6

MGT404



UNDERSTANDING RIGHT AND WRONG (1 of 2)

- i. Developing your own 'Moral Compass'
- ii. How Should I live?
- iii. The Value of a Value – intrinsic; instrumental
 - An **intrinsic value**, where a value is a good thing in itself and is pursued for its own sake, whether anything good comes from that pursuit or not.
 - An **instrumental value**, where the pursuit of that value is a good way to reach another value.
- iv. Value Conflicts
 - The greatest test of any personal value system comes when you are presented with a situation that places those values in direct conflict with an action.
 - Lying is wrong—but what if you were lying to protect the life of a loved one?
 - Stealing is wrong—but what if you were stealing food for a starving child?
 - Killing is wrong—but what if you had to kill someone in self-defense to protect your own life?
 - The grey area makes the study of ethics so complex.



UNDERSTANDING RIGHT AND WRONG (2 of 2)

- v. Doing The Right Thing
 - Four basic categories of ethics:
 - Simple truth—right and wrong or good and bad.
 - A question of someone's personal character—his or her integrity.
 - Rules of appropriate individual behavior.
 - Rules of appropriate behavior for a community or society
- vi. The Golden Rule – Do unto others as you would have them do unto you
 - The danger with the Golden Rule is that not everyone thinks like you, acts like you, or believes in the same principles that you do



ETHICAL NORMS AND VALUES

Values =

Those beliefs that incline us to act or to choose in one way rather than another.

- **Values** are defined as a small number of core ideas about how people should live and the ends they should seek in a society. They are shared by a majority of people within a community or society. They are simply expressed generalities such as peace and honesty. As they are very broad they do not give guidance on how particular things should be evaluated.
- A company's core values, for example, are those beliefs and principles that provide the ultimate guide in its decision-making.
- Individuals can have their own personal values and, importantly, institutions also have values.

9

MGT404



DISTINGUISHING VALUES

- Different types of values might affect how we think about ethical issues:
 - A. Moral values:** concern interpersonal behaviour, i.e. being honest is desirable.
 - B. Competence values:** concern one's own valuation of one's behaviour, i.e. behaving imaginatively is desirable.
 - C. Personal values:** concern the ends, or terminal states, that are desirable for the self, i.e. peace of mind.
 - D. Social values:** concern the ends that one would desire for society, i.e. world peace is desirable.
- The first two items in this list concern **instrumental** values that concern about how a person should live and behave. The second two items are **terminal** values that concern the ends or purposes that we should be striving for. The table on the following slide lists the instrumental and terminal values identified by **Rokeach's** survey of a sample of Americans.

10

MGT404



The Instrumental and Terminal Values of Americans

Table 4.1 The instrumental and terminal values of Americans

Terminal values	Rank order (females)	Rank order (males)	Instrumental values	Rank order (females)	Rank order (males)
A comfortable life	13	4	Ambitious	4	2
An exciting life	18	18	Broadminded	5	4
A sense of accomplishment	10	7	Capable	12	8
A world at peace	1	1	Cheerful	10	12
A world of beauty	15	15	Clean	8	9
Equality	8	9	Courageous	6	5
Family security	2	2	Forgiving	2	6
Freedom	3	3	Helpful	7	7
Happiness	5	5	Honest	1	1
Inner harmony	12	13	Imaginative	18	18
Mature love	14	14	Independent	14	11
National security	11	10	Intellectual	16	15
Pleasure	16	17	Logical	17	16
Salvation	4	12	Loving	9	14
Self-respect	6	6	Obedient	15	17
Social recognition	17	16	Polite	13	13
True friendship	9	11	Responsible	3	3
Wisdom	7	8	Self-controlled	11	10



DISTINGUISHING VALUES

- One way to distinguish various types of values is in terms of the ends that they serve.
 - Financial values serve monetary ends, religious values serve spiritual ends, aesthetic values serve the end of beauty, legal values serve law, order, and justice, and so forth.
 - Different types of values are distinguished by the various ends served by those acts and choices.
- So, how are ethical values to be distinguished from these other types of values? What ends are served by ethics?
 - Ethical values are those beliefs and principles that impartially promote human well-being.



PHILOSOPHICAL ETHICS AND THEORIES

- Is there a comparable methodology or procedure for deciding what we should do and how we should act?
- There are guidelines that can provide direction and criteria for decisions that are more or less reasonable and responsible: **philosophical ethics.**

Ethical theories are patterns of thinking, or methodologies, to help us decide what to do.

- Virtue Ethics
- Utilitarianism (Ethics for the Greater Good)
- Universal Ethics



PHILOSOPHICAL ETHICS AND THEORIES

- **Virtue ethics** is a concept of living your life according to a commitment to the achievement of a clear ideal—*what sort of person would I like to become, and how do I go about becoming that person?*
 - The problem with virtue ethics is that societies can place different emphasis on different virtues.
- **Utilitarianism** or *Ethics for the greater good* is a theory that is more focused on the outcome of your actions rather than the apparent virtue of the actions themselves.
 - Also referred to as—Ethical choices that offer the greatest good for the greatest number of people.
 - The problem with this approach to ethics is the idea that the ends justify the means.
- **Universal ethics** refer to actions taken out of *duty* and *obligation* to a purely moral ideal rather than based on the needs of the situation, since the universal principles are seen to apply to everyone, everywhere, all the time.
 - Universal ethics argue that certain and universal principles should apply to all ethical judgments.
 - The problem with this approach is the reverse of the weakness in ethics for the greater good.



ETHICAL RELATIVISM

- Where the traditions of your society, your personal opinions, and the circumstances of the present moment define your ethical principles.
 - This idea implies some degree of flexibility as opposed to strict black-and-white rules.
 - It also offers the comfort of being a part of the ethical majority in your community instead of standing by individual beliefs as an outsider from the group.

15

MGT404



ETHICAL DILEMMAS

- ❖ **Ethical Dilemmas** occur where the decision you must make requires you to make a ‘right’ choice knowing full well that you are:
 - Leaving an equally ‘right’ choice undone.
 - Likely to suffer something bad as a result of that choice.
 - Contradicting a personal ethical principle in making that choice.
 - Abandoning an ethical value of your community or society in making that choice.
- ❖ The “answer” to an ethical dilemma is often the lesser of two evils—it’s more a question of whether or not you can arrive at an outcome you can live with.
- ❖ Three-step process for solving an ethical problem:
 - Step 1: Analyze the consequences.
 - Step 2: Analyze the actions.
 - Step 3: Make a decision.

16

MGT404



ETHICAL DILEMMAS

- Arthur Dobrin identified eight questions you should consider when resolving an ethical dilemma:
 - What are the facts?
 - What can you guess about the facts you don't know?
 - What do the facts mean?
 - What does the problem look like through the eyes of the people involved?
 - What will happen if you choose one thing rather than another?
 - What do your feelings tell you?
 - What will you think of yourself if you decide on thing or another?
 - Can you explain and justify your decision to others?

17

MGT404



ETHICAL REASONING (1 of 2)

- **Ethical reasoning** is a process of looking at the information available to us in resolving an ethical dilemma, and drawing conclusions based on that information in relation to our own ethical standards.
- Lawrence Kohlberg's stages of ethical reasoning:
 - Level 1: Preconventional
 - A person's perception of right and wrong are initially directly linked to punishment or reward.
 - Stage 1: *Obedience and punishment orientation*—avoidance of punishment and deference to power and authority
 - Stage 2: *Individualism, instrumentalism, and exchange*—satisfaction of own needs
 - Level 2: Conventional
 - A person becomes aware of broader influences outside the family.
 - Stage 3: *"Good boy/nice girl" orientation*—focused on meeting the expectations of family members
 - Stage 4: *Law and order orientation*—increasingly aware of his or her membership in a society and the existence of codes of behavior

18

MGT404



ETHICAL REASONING (2 of 2)

- Level 3: Postconventional

- A person makes a clear effort to define principles and moral values that reflect an individual value system rather than simply reflecting the group position.

- Stage 5: *Social-contract legalistic orientation*—focused on individual rights and the development of standards based on critical examination

- Stage 6: *Universal ethical principle orientation*—focused on self-chosen ethical principles that are found to be comprehensive and consistent

- ❖ Review Questions

1. Define ethics and briefly describe the principles of understanding right and wrong.
2. Answer the following:
 - (a) Define values
 - (b) State and explain the types of values that might affect how we think about ethical issues.
 - (c) Briefly differentiate between instrumental and terminal values.