



Chapter One

Basic Principles: Ethics and Business

ALWAYS LEARNING

Copyright © 2012 Pearson Education, Inc. All rights reserved.

PEARSON



ALWAYS LEARNING

Copyright © 2012 Pearson Education, Inc. All rights reserved.

PEARSON

Learning Objectives

- After reading this chapter , you will be able to :
 - Identify reasons Why the study of ethics is important.
 - Explain the nature and the meaning of business ethics.
 - Explain the difference between ethics and the law.

ENRON SCANDAL

One of the largest
Collapse in U.S. History,

A failure of Corporate
Governance?



Enron Scandal

- <https://www.youtube.com/watch?v=jrEf8uabe7E>
- An American energy company based in Houston, Texas.
- The Enron scandal, publicized in October 2001, eventually led to the bankruptcy of the Enron Corporation.

A quick look in Enron's history



Why Study Business Ethics

- It must be remembered that the School of Business' task is to prepare students for the business world. If ethics do not matter, then time spent teaching ethics is better spent elsewhere.
- Business Ethics class is not aim simply to help you to learn about ethics, but aim to help you do ethics. That is, **The goal of Business ethics is to help each of us become more ethical and help us all to create and promote ethical institutions.**

Why Study Business Ethics

Everyone agrees that business managers must understand finance and marketing. **But is it necessary for them to study ethics?**

Managers who answer in the negative generally base their thinking on one of **three justifications**.

1. They may simply say that they have no reason to be ethical. They see why they should **make a profit**, but why should they be worried about ethics, as long as they are making money and **staying out of jail?**

Why Study Business Ethics

2. Other managers recognize that they should be ethical but *identify their ethical duty with making a legal profit for the firm*. They see no need to be ethical in any further sense. **Ethics=law**
3. A third group of managers grant that ethical duty goes further than what is required by law. But they still insist that there is no point in studying ethics.

Why Study Business Ethics

- Perhaps when business people ask why they should be ethical, they have a different question in mind: **what is the *motivation for being good?***
Is their something in it for them?
- There is no denying that one can often **do well by doing good.**
- An ethical company is more likely to build a good reputation, which is more likely to bring financial rewards over the long term.

What is Ethics?

- **Ethics:** defined as the set of moral standards that distinguish what is right from what is wrong.
- **Moral Standards :** rules about the kinds of actions that are morally right or wrong, as well as the values placed on what is morally good or bad.
- **Non-Moral Standards:** manage individual life, aspirations and desires and may decide a person's place in his group. Some non-moral standards of any society could be the table manners, general etiquette, clothing etc.

How Can We Distinguish Between Moral and Non-moral Standards?

Generally, you can say a standard is moral if:

- 1) It deals with things that can seriously harm or greatly benefit others.
- 2) It is not changed or modified by state or social authorities.
- 3) It leads to internal notions of guilt, shame, good and evil, right and wrong.

Moral Responsibility

- **Three Components of Moral Responsibility:**

1. Person caused or helped cause the injury, or failed to prevent it when he or she could and should have (causality).
2. Person did so knowing what he or she was doing (knowledge).
3. Person did so of his or her own free desire (freedom).

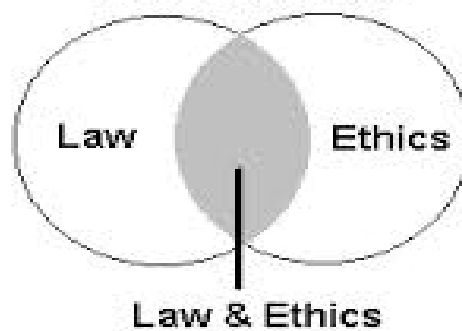
The Relationship Between Ethics and Law

- **Law** is the system of rules of conduct established by the government of a society to maintain stability and justice.
- Law defines the legal rights and duties of the people and provides the means of enforcing these rights and duties.



The Relationship Between Ethics and Law

Relationship Between Law and Ethics



Ethics and Law

	Legal	illegal
ETHICAL	Ethical/ legal	Ethical /illegal
UN-ETHICAL	Un-ethical /legal	Un-ethical/illegal

The Relationship Between Ethics and Law

- A relationship exists between law and ethics. In some instances, law and ethics overlap (related) and what is supposed as unethical is also illegal.
- **In other situations**, they do not overlap. In some cases, what is supposed as unethical is still legal, and in others, what is illegal is perceived as ethical.

Ethics and Legal Conflicts

- Because law is made by people, it is imperfect.
- Legislators and judges bring their own personal opinions on ethics to the lawmaking process.
- As a result, ethics and law will sometimes conflict.
- **As a result**, Legal behavior is not necessarily ethical behavior.

Moral Behavior

- **There are four components of moral behavior.**
 1. The first of these is **moral sensitivity**: which is "the **ability to see an ethical dilemma**, including how our actions will affect others."
 2. The second is **moral judgment**: which is "the **ability to reason correctly** about what 'ought' (have to) to be done in a specific situation."

Moral Behavior

3. The third is **moral motivation**: which is "a **personal commitment to moral action**, accepting responsibility for the outcome."
4. The fourth and final component of moral behavior is **moral character**: which is a "courageous persistence in spite of fatigue or temptations to take the easy way out."

Four Views of Ethical Behavior

1. Utilitarian View

Where moral behavior is that which delivers the greatest good to the greatest number of people.

2. Individualism View

Where moral behavior is that which is best for long-term self-interest.

3. Moral-Rights View

Where moral behavior is that which respects fundamental rights shared by all human beings.

4. Justice View

Where moral behavior is that which is impartial, fair, and equitable in treating people. (Procedural and Distributive Justice)

Moral Reasoning

- The reasoning process by which human behaviors, or institutions are judged to be in accordance with or in violation of moral standards.
- **Moral reasoning involves:**
 - The moral standards by which we evaluate things
 - Information about what is being evaluated
 - A moral judgment about what is being evaluated.

Ethical Theories

Ethical Theories

- Different ethical theories exist and theories can be applied to different situations to inform our thinking and support decision making.

Ethical Theories

1. Consequentialism: (النتيجة)

- Consequentialist ethics holds the view that the correct moral response is related to the **outcome**.
- The central aim is the principle of 'maximizing the greatest good for the greatest number'.
- The 'good' referred to a variety of ways and may refer to values or 'utility' such as happiness, or another life enhancing outcome.

Ethical Theories

2. Deontology : "التزام وواجب"

- Deontology is based on **duties and rights** rather than the outcomes of any action.
- Deontology focuses on rules, obligations and duties.
- Deontology consider that **acting from duty** is viewed **as acting ethically**.

Ethical Theories

3. **Virtue Ethics** : الفضيحة

- Virtue Ethics is based on the **moral character**, or virtues of the individual.
- **The virtues** are fixed character traits which are held to be societally valuable such as truth-telling, trustworthiness,
- Virtue ethics is about an individual of good character doing the right thing.

Ethical Theories

Ethical Theories	Based on
Consequentialism	Outcome
Deontology	Duties and rights
Virtue Ethics	Moral character

The Universal Moral Code

- The Universal Moral Code is a list of fundamental moral principles that can be found throughout the world.
- *It was created by **Dr. Kent M. Keith in 2003** while writing a book on morality and ethics.*
- The code includes basic, universal ideas about how we should live and how we should treat each other.
- Living these principles can provide each of us with the meaning that comes from living our values and doing what's right.

The Universal Moral Code

- *The code is **divided into two** complementary sets of statements.*
- ❖ The first set consists of **negative statements** about not doing harm, while ...
- ❖ The second set consists of **positive statements** about doing good.

DO NO HARM. (Negative Statements)

- **Do not do to others what you would not like them to do to you.**

- Do not lie.
- Do not steal.
- Do not cheat.
- Do not falsely accuse others.
- Do not physically or verbally abuse others.
- Do not murder.
- Do not destroy the natural environment upon which all life depends



DO GOOD. (Positive statements)

- **Do to others what you would like them to do to you.**

- Be honest and fair.
- Be generous.
- Be faithful to your family and friends.
- Take care of your children when they are young.
- Take care of your parents when they are old.
- Take care of those who cannot take care of themselves.
- Be kind to strangers.
- Respect all life.
- Protect the natural environment upon which all life depends.