Applying Business Ethics

- Corporate Social Responsibility
    - Social responsibility- the managers duty to nurture, protect and enhance the welfare of stakeholders
    - Stakeholder views
        - Primary stakeholders- shareholders, employees, customers, suppliers, governments, and local communities on which the organization depends for long-term survival (managers must try and satisfy the needs of all primary stakeholders)
        - Secondary stakeholders- such as the media and special interest groups, can influence or be influenced by the company; although not critical to long-term survival, they can affect public perceptions and opinions
        - Stakeholders have a legitimate interest in the company
        - Social responsibility is satisfying the interests of multiple stakeholders
    - Shareholder views
        - Managers must satisfy the owners
        - Social responsibility is maximizing shareholder wealth
- Agency Theory
    - Theory concerning the relationship between a principal (shareholder) and an agent of the principal (Company's managers)
    - Essentially, it involves the costs of resolving conflicts between the principals and agents and aligning interests of the two groups
    - Applications of agency theory affect many aspects of business, including compensation, regulation, information sharing, and performance management
    - ~Managers cannot act effectively as moral agents for shareholders
- Ethics and managers in the present environment, including short cases
    - Ethics- judgment of behavior based on a specific moral philosophy or ethical theory
        - Follows accepted principals of right and wrong
    - Professional ethics- workplace values and standards accepted by groups of managers
    - Individual ethics- values of an individual resulting from their family and upbringing
    - Managers should behave ethically to avoid harming others
        - Managers are responsible for protecting and nurturing their resources
    - Unethical managers run the risk for loss of reputation
        - Reputation is valuable to any manager
        - It is critical to long-term management success
        - All stakeholders are judged by reputation
    - Utilitarianism
        - Examine an actions effects to decide whether it is morally correct

        - Action is morally right if the total net benefit of the action exceeds the total net benefit of any other action
        - Assumes a person can assess all costs and benefits of an action
    - Justice
        - Looks at the balance of benefits and burdens distributed among members of a group
        - Can result from the application of rules, policies, or laws that apply to a society or a group
        - Just results of actions override utilitarian results
        - Rejects view that an injustice is acceptable if others benefit from the action
    - Egoism
        - Self-centered form of ethics
        - Two forms of ethical egoism
            - Individual
                - Judges actions only by their effects on one's interests
                - Usually rejected by normal philosophers as a defensible basis of ethics
            - Universal
    - Two cases very likely to be on the exam:
        - High-tech startup employees, as a test of executive character
            - Kingston technologies and how they allocated rewards
            - Tree-ring distinction
        - Young entrepreneur getting in trouble for using company resources
    - International aspects of ethics
        - Legal view
            - Foreign Corrupt Practices Act of 1977 (FCPA) prohibits a company from using bribes to either get business in another country or prevent the restriction of its business
            - Targets of bribes: foreign officials, foreign political parties, foreign political candidates
            - Violations: max fine of $1 million to an organization, 5 years and max fine of $10,000 to a manager
        - Ethical realism- because others will not behave ethically, morality does not apply to international behavior, activities, or transactions
        - Ethical absolutism- makes the universal assumption that a single standard of right and wrong applies to all cultures
        - Social responsibility and economic performance
            - Social responsibility can sometimes cost a company significantly if it chooses to be socially responsible
            - Sometimes it pays to be socially responsible
            - While socially responsible behavior may be "the right thing to do" it does not guarantee profitability
- How a company manages codes of conduct
    - Written statements describing prohibited behavior

        - Kickbacks, illegal political payments, inappropriate gifts
    - Written and usually available to all employees
    - Areas covered: ethical responsibilities of the organization, employee rights, quality of the work environment
    - Makes an organizations culture more ethical if policies are accepted, followed, and enforced
    - Ethics Training
        - Goal: help organization avoid government and societal sanction by preventing unethical and illegal behavior
            - Develop employee awareness about ethics
            - Achieve credibility with employees
            - teach employees a practical model of ethical decision making

Trust, Organizational Justice, and Privacy

- Trust- a positive expectation that another will not- through words, actions, or decisions- act opportunistically
- Dimensions of trust
    - Integrity
    - Competence
    - Consistency
    - Loyalty
    - Openness
- Types of Trust
    - Developing and restoring trust- time increases as stages do
        - Stage 1- Deterrence or calculus-based trust; some relationships, initial form of trust
        - Stage 2- Knowledge-based trust- many relationships, involved in a lot of business dealings
        - Stage 3- Identification based trust- limited number of relationships; very intimate and form over a long period of time
    - Importance of trust today
        - Changing business structures
        - Increased skepticism
        - Need for commitment
        - Role of Trust in Leadership, conflict management, and organizational communication
    - **Levels of trust**
- Psychological Contract
    - Traditional Psychological contract
        - Perceived "exchange agreement"
        - Mainly unwritten and not formally binding
        - Job security
    - Transitional contract challenges
- **Privacy Articles and selected cases**
    - New York Times email, mcdonald's store manager case