Solutions Manual for Business Ethics Now 5th Edition by Ghillyer ISBN 1259535436 9781259535437

Full Link Download:

Solutions Manual:

https://testbankpack.com/p/solutions-manual-for-business-ethics-now-5th-edition-by-ghillyer-isbn-1259535436-9781259535437/

Test Bank:

https://testbankpack.com/p/test-bank-for-business-ethics-now-5th-edition-by-ghillyer-isbn-1259535436-9781259535437/

CHAPTER 2

Defining Business Ethics

Table of Contents

2-1

Chapter Summary

This chapter begins by defining how ethics are applied to business behavior. It describes and explains who the stakeholders are in an organization, their interests in the organization, and the impact on them from unethical behavior. Many people, because of the track record over the past two decades, believe that business ethics is an oxymoron, the combination of two contradictory terms. This chapter also discusses the history of business ethics and the dramatic changes that have taken place in the business environment over the last five decades. It continues going into deeper detail about the definition and resolution of ethical dilemmas. It discusses four commonly held rationalizations that can lead to misconduct. In conclusion, this chapter begins looking at the aspects in building and operating an ethical business.

Learning Outcomes

After studying this chapter, the student should be able to:

1. Define the term *business ethics*.
2. Identify an organization's stakeholders.
3. Discuss the position that business ethics is an oxymoron.
4. Summarize the history of business ethics.
5. Identify and propose a resolution for an ethical dilemma in your work environment.
6. Explain how executives and employees seek to justify unethical behavior.

Extended Chapter Outline

Frontline Focus
"The Customer is Always Right" Questions

1. Look at Figures 2.1 and 2.2, and identify which stakeholders would be directly impacted by Dave's plan to sabotage the new healthy menu.

   The stakeholders that would be directly impacted by Dave's plan would include customers, employees, and stockholders or shareholders.

2. Describe the ethical dilemma that Carol is facing here.

   Carol is faced with the ethical dilemma of whether to abide or not to abide by Dave's new plan.

3. What should Carol do now?

   Carol must decide if her values are strong enough to stand up to this dilemma. She could go along with Dave's plan and limit the number of new items and push side items and desserts; or, if her values do not agree with Dave's, Carol could leave the company or could express her opinion to Dave's boss.

Learning Outcome 1: Define the Term *Business Ethics*.

- **Business ethics** is the application of ethical standards to business behavior.
- Students of business ethics can approach the topic from two distinct perspectives:
    - A *descriptive* summation of the customs, attitudes, and rules that are observed within a business.
    - A *normative* (or *prescriptive*) evaluation of the degree to which the observed customs, attitudes, and rules can be said to be ethical.
- In either case, business ethics should not be applied as a separate set of moral standards or ethical concepts from general ethics.
    - Ethical behavior, it is argued, should be the same both inside and outside a business situation.
- By recognizing the challenging environment of business, people are acknowledging the identity of the key players impacted by any potentially unethical behavior—the stakeholders.
    - In addition, people can identify the troubling situation where their personal values may be placed in direct conflict with standards of behavior they feel are expected of them by their employer.

Learning Outcome 2: Identify an Organization's Stakeholders.

- Figure 2.1 maps out the relevant stakeholders for any organization and their respective interests in the ethical operation of that organization—stockholders or shareholders, employees, customers, suppliers/vendor partners, retailers/wholesalers, federal government, creditors, and community.
- A **stakeholder** is someone with a share or interest in a business enterprise.
- Not every stakeholder will be relevant in every business situation.
    - Not all companies use wholesalers to deliver their products or services to their customers.
    - Customers would not be involved in payroll decisions between the organization and its employees.

- Of great concern is the involvement of stakeholders with the actions of the organization and the extent to which they would be impacted by unethical behavior.

Learning Outcome 3: Discuss the Position that Business Ethics is an Oxymoron.

- Over the last two decades, the ethical track record of many organizations would lead people to believe that no ethical policies or procedures have been in place.
- **Corporate governance** is the system by which business corporations are directed and controlled.
  - It is the extent to which the officers of a corporation are fulfilling the duties and responsibilities of their offices to the relevant stakeholders.
- The standard of corporate governance appears to be at the lowest level in business history:
  - Several prominent organizations—Enron, WorldCom, Lehman Brothers, Bear Stearns—have been found to have hidden the true state of their precarious finances from their stakeholders.
  - Others—Adelphia Cable, Tyco, and Merrill Lynch—have been found to have senior officers who appeared to regard the organization's funds as their personal bank accounts.
  - Financial reports are released that are then restated at a later date.
  - Products are rushed to market that have to be recalled due to safety problems at a later date (Toyota).
    - Organizations are being sued for monopolistic practices (Microsoft), race and gender discrimination (Walmart, Texaco, Denny's), and environmental contamination (GE).
  - CEO salary increases far exceed those of the employees they lead.
  - CEO salaries have increased while shareholder returns have fallen.
  - CEOs continue to receive bonuses while the stocks of their companies underperform the market average and thousands of employees are being laid off.
- Therefore, it is understandable that many observers would believe that the business world lacks any sense of ethical behavior whatsoever.
  - Some would even argue that the two words are incompatible and "business ethics" is really an **oxymoron**—the combination of two contradictory terms, such as "deafening silence" or "jumbo shrimp".
- While these may not be the best of times for business ethics, it could be argued that the recent negative publicity has served as a wake-up call for many organizations to take a more active role in establishing standards of ethical conduct in their daily operations.
  - One of the key indicators in this process has been the increased prominence of a formal code of ethics in an organization's public statements.
- **Code of ethics** is a company's written standards of ethical behavior that are designed to guide managers and employees in making the decisions and choices they face every day.

- The code of ethics can be seen to serve a dual function:
  - As a message to the organization's stakeholders, the code should represent a clear corporate commitment to the highest standards of ethical behavior.
  - As an internal document, the code should represent a clear guide to managers and employees in making the decisions and choices they face every day.

Learning Outcome 4: Summarize the History of Business Ethics

- Figure 2.3 illustrates several dramatic changes that have taken place in the business environment over the last five decades:
  - The increased presence of an employee voice has made individual employees feel more comfortable speaking out against actions of their employers that they feel to be irresponsible or unethical.
  - The issue of corporate social responsibility has advanced from an abstract debate to a core performance-assessment issue with clearly established legal liabilities.
  - Corporate ethics has moved from the domain of legal and human resource departments into the organizational mainstream with the appointment of corporate ethics officers with clear mandates.
  - Codes of ethics have matured from cosmetic public relations documents into performance-measurement documents that an increasing number of organizations are now committing to share with all their stakeholders.
  - The 2002 Sarbanes-Oxley Act has introduced greater accountability for chief executive officers and boards of directors in signing off on the financial performance records of the organizations they represent.

Learning Outcome 5: Identify and Propose a Resolution for an Ethical Dilemma in Your Work Environment.

- When employees observe unethical behavior (e.g., fraud, or theft of company property) or are asked to do something that conflicts with their own personal values, the extent of the guidance available to them is often a series of clichés:
  - Consult the company code of ethics.
  - Do what's right for the organization's stakeholders.
  - Do what's legal.
  - Do what you think is best ("use your best judgment").
  - Do the right thing.
- **Ethical dilemma** is a situation in which there is no obvious right or wrong decision, but rather a right or right answer.
- Resolution of an ethical dilemma can be achieved by first reorganizing the type of conflict people are dealing with:

- *Truth versus loyalty*—do you tell the truth or remain loyal to the person or organization that is asking you not to reveal that truth?
- *Short-term versus long-term*—does your decision have a short-term consequence or a longer-term consequence?
- *Justice versus mercy*—do you perceive this issue as a question of dispensing justice or mercy? (Which one are you more comfortable with?)
- *Individual versus community*—will your choice affect one individual or a wider group or community?
  - In the examples given above, both sides are right to some extent, but since people can't take both actions, they are required to select the better or higher right based on their own resolution process.

- Once people have reached a decision as to the type of conflict they are facing, three resolution principles are available to them:
  - *Ends-based*—which decision would provide the greatest good for the greatest number of people?
  - *Rules-based*—what would happen if everyone made the same decision as you?
  - *The Golden Rule*—do unto others as you would have them do unto you.
    - None of these principles can be said to offer a perfect solution or resolution to the problem because one cannot possibly predict the reactions of the other people involved in the scenario.
    - However, the process of resolution at least offers something more meaningful than "going with your gut feeling" or "doing what's right."

Learning Outcome 6: Explain How Executives and Employees Seek to Justify Unethical Behavior.

- Saul Gellerman identified "four commonly held rationalizations that can lead to misconduct":
  - *A belief that the activity is within reasonable ethical and legal limits—that is, that it is not "really" illegal or immoral*.
  - *A belief that the activity is in the individual's or the corporation's best interests—that the individual would somehow be expected to undertake the activity*.
  - *A belief that the activity is safe because it will never be found out or publicized—the classic crime-and-punishment issue of discovery*.
  - *A belief that because the activity helps the company, the company will condone it and even protect the person who engages in it*.

Life Skills
Making Tough Choices

This Life Skills box discusses what happens when your personal values appear to directly conflict with those of your employer. Three options are open—leave and find another job; keep your head down, do what you have been asked to do, and hold on to the job; or, talk to someone in the company about how uncomfortable the situation is making you feel and see if you can change things. All three options are tough choices.

Progress Questions

1. Explain the term *business ethics*.

   Business ethics is the application of ethical standards to business behavior.

2. Explain the difference between a descriptive and prescriptive approach to business ethics.

   A descriptive approach is a descriptive summation of the customs, attitudes, and rules that are observed within a business. This involves documenting what is happening.
   A prescriptive approach is a prescriptive evaluation of the degree to which the observed customs, attitudes, and rules can be said to be ethical. This involves recommending what should be happening.

3. Identify six stakeholders of an organization.

   Stakeholders of an organization can include stockholders or shareholders, employees, customers, suppliers or vendor partners, retailers or wholesalers, federal government, creditors, and community.

4. Give four examples of how stakeholders could be negatively impacted by unethical corporate behavior.

   The following are four examples of how stakeholders could be negatively impacted by unethical corporate behavior:
   - Stockholders could lose value of their stock ownership.
   - Employees could lose their job.
   - Customers could receive poor service quality.
   - Suppliers may not be paid for invoices when a company declares bankruptcy.

5. Define the term *oxymoron* and provide three examples.

   An oxymoron is the combination of two contradictory terms, such as “deafening silence,” “jumbo shrimp,” or “authentic reproduction.”

6. Is the term *business ethics* an oxymoron? Explain your answer.

   Student answers will vary. Given the ethical track record of organizations over the last several decades, many students may believe that the business world lacks any sense of ethical behavior. Thus, they will argue that the two words “business” and “ethics” are as incompatible as in an oxymoron.

7. Define the term *corporate governance*.

   Corporate governance is the system by which business corporations are directed and controlled.

8. Explain the term *code of ethics*.

   A code of ethics is a company’s written standards of ethical behavior that are designed to guide managers and employees in making the decisions and choices they face every day.

9. Identify a major ethical dilemma in each of the last five decades.

   Following are some of the major ethical dilemmas in each of the last five decades:
   - 1960s—environmental issues, increased employee-employer tension, civil rights issues dominate, honesty, the work ethic changes, and drug use escalates.
   - 1970s—employee militancy, human rights issues surface, and some firms choose to cover rather than correct dilemmas.
   - 1980s—bribes and illegal contracting practices, influence peddling, deceptive advertising, financial fraud, and transparency issues arise.
   - 1990s—unsafe work practices in Third World countries, increased corporate liability for personal damage, and financial mismanagement and fraud.
   - 2000s—cyber crime, increased corporate liability, privacy issues, financial mismanagement, international corruption, loss of privacy, and intellectual property theft.

10. Identify a key development in business ethics in each of the last five decades. Following are the key developments in business ethics in each of the last five decades:

- 1960s:
  - Companies begin establishing codes of conduct and values statements
  - Birth of social responsibility movement
  - Corporations address ethics issues through legal or personnel departments
- 1970s:
  - Ethics Resource Center (ERC) founded (1977)
  - Compliance with laws highlighted
  - Federal Corrupt Practices Act passed in 1977
  - Values movement begins to move ethics away from compliance orientation to being "values centered"
- 1980s:
  - ERC develops the U.S. Code of Ethics for Government Service
  - ERC forms first business ethics office at General Dynamics
  - Defense Industry Initiative established
  - Some companies create ombudsman positions in addition to ethics officer roles
  - False Claims Act (government contracting)
- 1990s:
  - Federal Sentencing Guidelines (1991)
  - Class action lawsuits.
  - Global Sullivan Principles (1999
  - *In re Caremark*
  - ERC establishes international business ethics centers
  - Royal Dutch/Shell International begins issuing annual reports on its ethical performance
- 2000s:
  - Business regulations mandate stronger ethical safeguards (Federal Sentencing Guidelines for Organizations; Sarbanes-Oxley Act of 2002)
  - Anticorruption efforts grow
  - Shift to emphasis on corporate social responsibility and integrity management ○ Formation of international ethics centers to serve the needs of global business ○ OECD Convention on Bribery (1997-2000)

11. Which decade saw the most development in business ethics? Why?

The 1990s saw the most developments in business ethics because of global expansion and the emergence of the Internet.

12. Which decade saw the most ethical dilemmas? Why?

The 2000s saw the most ethical dilemmas because of the Internet, international expansion, and financial mismanagement.

13. Give four examples of the clichés employees often hear when faced with an ethical dilemma.

Some examples of the clichés employees often hear when faced with an ethical dilemma are:

- Consult the company code of ethics.
- Do what's right for the organization's stakeholders.
- Do what's legal.
- Do what you think is best ("use your best judgment").
- Do the right thing.

14. List the four types of ethical conflict.

The four types of ethical conflict are:

- Truth versus loyalty
- Short-term versus long-term
- Justice versus mercy
- Individual versus community

15. List the three principles available to you in resolving an ethical dilemma.

The three principles for resolving an ethical dilemma are:

- Ends-based
- Rules-based
- The Golden Rule

16. Give an example of an ethical business dilemma you have faced in your career, and explain how you resolved it, indicating the type of conflict you experienced and the resolution principle you adopted.

Students' responses will vary. The ethical dilemma described should fit the definition—a situation in which there is no obvious right or wrong decision, but rather a right or right answer.

Ethical Dilemma

2.1 – The Ford Pinto

1. Should a manufacturer go beyond government standards if it feels there may be a potential safety hazard with its product?

   Students' responses will vary. Students may argue that a manufacturer should go above and beyond the government's standards if it feels there may be a potential safety hazard with its products. Other will argue that a manufacturer will only do what is required by government standards. However, to remain competitive in the marketplace, a manufacturer can go above and beyond to ensure that the consumer is safe. This strategy not only benefits the stakeholders, but also establishes a positive reputation within the industry.

2. Once the safety issue became apparent, should Ford have recalled the vehicle and paid for the retrofit? Should it have invited owners to pay for the new barrier if they so chose? If only half the owners responded to the recall, what would the company's obligation be?

   Student responses will vary. Some of the students may feel that Ford should have recalled the vehicle and paid for the retrofit once they knew that there was a safety issue. Ford's obligation would be far less if only half the owners responded to the recall; and the company needed to pay for the new barrier to project to consumers that they care about consumers' wellness and business.

3. Is there a difference for a consumer between being able to make a conscious decision about upgrading safety features (such as side airbags) and relying on the manufacturer to determine features such as the tensile strength of the gas tank?

   Student responses will vary. There is a huge difference between being able to make a conscious decision about a safety-feature upgrade and relying on a manufacturer to determine the safety features. Typically, manufacturers only have the obligation to offer basic or required safety features on the automobiles sold to consumers.

4. Once Pintos had a poor reputation, they were often sold at a discount. Do private sellers have the same obligations as Ford if they sell a car they know may have design defects? Does the discount price absolve sellers from any responsibility for the product?

   Student responses will vary. Private owners should have the same obligation as Ford if they sell a car they know may have design defects. A discount price should not absolve sellers from any responsibility for the product. It is important for sellers to have a strong code of ethics in their business transactions.

2.2 – Three-Card Monte

1. Summarize the positions of both critics and supporters of these tax strategies.

   Critics call the tax strategies (the movement of those funds) by many companies as deliberate tax avoidance; and supporters call it profit maximization.

2. Supporters and critics of these tax strategies agree that corporations are making use of legal financial options that are available to them under current tax law. However, does that equate to ethical business conduct? Why or why not?

   Student responses will vary. Some of them may say that what Microsoft, Apple, Hewlett-Packard (HP), and Google are doing does not equate to ethical business conduct. They may cite the following reasons to support their answer:
   - Microsoft elected to shift the intellectual property (IP) rights for software that the company developed in America to Puerto Rico, Ireland, and Singapore. As a result, the earnings from those IP rights can now be taxed at a much lower local rate rather than at the American rate of as much as 35 percent, which contributes significantly to Microsoft's overall tax rate of only 4 percent.
   - Google avoided almost $2 billion in worldwide income taxes in 2011 by moving $9.8 billion in revenues to a Bermuda shell company (where there is no corporate income tax).
     - Should any one of these companies ever need any of the money being held overseas, rather than "repatriating" the funds (and paying taxes), the company simply borrows the money from its subsidiary as a short-term loan (and pays no taxes).
     - Students may not find this deliberate act to avoid tax an ethical business conduct.

3. The French chairman and CEO of Louis Vuitton, Bernard Arnault, recently announced that he was leaving France for Belgium, allegedly to avoid the new highest-income tax rate of 75 percent. Is that any different from what corporations are doing? Why or why not?

   Student responses will vary. Arnault is leaving France just to avoid paying high income taxes. This is no different from what corporations are doing because. Microsoft, for example, elected to shift the intellectual property (IP) rights for software that the company developed in America to Puerto Rico, Ireland, and Singapore so that the earnings from those IP rights can be taxed at a much lower local rate rather than at the American rate of as much as 35 percent, which contributes significantly to Microsoft's overall tax rate of only 4 percent. Should it ever need of any of the money being held overseas, rather than "repatriating" the funds (and paying taxes), the company simply borrows the money from its subsidiary as a short-term loan (and pays no taxes).

4. Is there a potential solution that would represent a more ethical business approach to the payment of corporate taxes? Explain your answer.

   Student responses will vary. Some of them may suggest that corporations who pay their taxes on time could be given some kind of a subsidy.

<u>Frontline Focus</u>

"The Customer Is Always Right—Carol Makes a Decision" Questions

1. Did Carol make the right choice here?

   Students' answers will vary. Carol did a good job of keeping track of the sales and information needed to show Dave that he wouldn't have to purposely run out of new items. She also was able to keep customers happy while she gathered the information. However, she will need to present this information to Dave in a professional and courteous manner so that she does not to insult him or his idea.

2. What do you think Dave's reaction will be?

   Students' answers will vary. Dave's reaction will depend on how Carol approaches him with the information. If she accuses him of being unethical and wrong, Dave will not be happy and probably reprimand Carol for not following instructions. If Carol can portray the information in a manner that does not insult Dave, she may be rewarded for taking initiative as an innovative and inspiring team leader.

3. What would the risk have been for the restaurant if it had implemented Dave's plan and deliberately run out of the new items?

   Students' answers will vary. The risk would have been the loss of customers, both old and new. Customers loyal to the old menu items would continue to purchase those items, with an occasional new item. However, new customers would be driven away and frustrated if they were constantly told that the restaurant was out of an item and offered something else instead.

Key Terms

Business Ethics: The application of ethical standards to business behavior.

Code of Ethics: A company's written standards of ethical behavior that are designed to guide managers and employees in making the decisions and choices they face every day.

Corporate Governance: The system by which business corporations are directed and controlled.

Ethical Dilemma: A situation in which there is no obvious right or wrong decision, but rather a right or right answer.

Oxymoron: The combination of two contradictory terms, such as "deafening silence" or "jumbo shrimp."

Stakeholder: Someone with a share or interest in a business enterprise.

Review Questions

NOTE: Some questions allow for a number of different answers. Below are some suggestions.

1. Based on the history of business ethics reviewed in this chapter, do you think the business world is becoming more or less ethical? Explain your answer.

   Students' responses will vary. Some students may say that the business world is becoming less ethical based on the number of bailouts that resulted from the financial crisis in 2008 and 2009. Government is increasing the laws, regulations, and the punishment associated with unethical behavior and in the long run this will make businesses become more ethical. Others may say regulation is creating more problems, rather than solving them.

2. How would you propose the resolution of an ethical dilemma using The Golden Rule?

   Student responses will vary. Students need to propose an ethical dilemma and use the Golden Rule—do unto others as you would have them do unto you—in their responses.

3. Why should a short-term or long-term consequence make a difference in resolving an ethical dilemma?

   Student responses will vary. The resolution of any ethical dilemma requires the recognition of the type of conflict at hand. Individuals can see both the short-term and long-term consequences that result in unethical behavior. Short-term consequences may require a different resolution principle. For example, for a long-term consequence, the manager could consider an ends-based resolution principle; and for a short-term consequence, the manager may consider the Golden Rule resolution principle or the rules-based resolution principle.

4. Of the four commonly held rationalizations for unethical behavior proposed by Saul Gellerman, which one do you think gets used most often? Why?

   The students' responses will vary based on their perceptions, but students are expected to include one of Gellerman's four rationalizations in their responses.

5. Is it ever acceptable to justify unethical behavior? Why or why not?

   Student responses will vary. However, it is never acceptable to justify unethical behavior. Most organizations have formal code of ethics and they expect their employees to adhere to them.

6. Explain what "doing the right thing" in a business environment means to you.

   The students' responses will vary. The student should explain his/her view of what "doing the right thing" in a business environment means to the individual student.

Review Exercises

1. Since you are traveling on company time, does the free ticket belong to you or your company? Defend your choice.

   Student responses will vary. The ticket belongs to the company. The company is paying for your travel expenses; therefore, the "right thing to do" is to professionally and ethically represent your company and complete the assignment at the best of your ability.

2. If the later flight was actually the next day (and the airline offered you an accommodation voucher along with the meal vouchers) and you would be late getting into work, would you make the same choice? Explain your answer.

   Student responses will vary. If there was no way around this situation, then this would be fine. However, if you simply chose to take the late flight to receive the upgrades, then it would not be fair to your employer. A better choice would be to take the flight that was originally booked and return to work as scheduled.

3. What if the offer only reached a $100 discount coupon on another ticket—would you still take it? If so, would you hold the same opinion about whether the coupon belonged to you or your company?

   Student responses will vary. The amount of extra time spent waiting for the late flight would not be worth the $100 discount on another ticket, especially if it means getting to work late. If the discount were taken, the coupon would belong to the company.

4. Should your company offer a clearly stated policy on this issue, or should it trust its employees to "do the right thing?" Explain your answer.

   Student responses will vary. There should be a clearly stated policy regarding traveling on company time and resources. However, there will always be situational issues that arise that may or may not be covered, in which case the company should trust their employees, along with giving them ethical training.

Internet Exercises

1. Locate the website for the Ethics Compliance Initiative (ECI) and review the 'Ethics Compliance Toolkit'. The 'PLUS Ethical Decision Making Model' lists seven steps to ethical decision making. What are they?

Step 1: Define the problem
Step 2: Seek out relevant assistance, guidance and support.
Step 3: Identify alternatives.
Step 4: Evaluate the alternatives.
Step 5: Make the decision
Step 6: Implement the decision
Step 7: Evaluate the decision

2. The Ethics Resource Center (www.ethics.org) is also part of the ECI.
   a. What is the stated goal of the ECI's research arm?

      When accessed on November 7, 2016, the following information was available on the website:

      In our work, we analyze current and emerging issue, establish benchmarks, generate new approaches to challenges and guide organizations' ethics and compliance efforts.

   b. List the three categories of ECI research.

      1. Workplace integrity
      2. Ethical standards

3. Compliance processes and practices.

c. Identify the topic of the most recent Global Business Ethics Survey

When accessed on November 7, 2016, the following information was available on the website:
A rigorous, multi-country inquiry into worker conduct and workplace integrity, providing insight into workplace ethics in both public and private sector organizations.

Team Exercises

1. **Thanks for the training!**

Divide into two groups and prepare arguments for and against the following behavior: You work in the IT department of a large international company. At your annual performance review, you were asked about your goals and objectives for the coming year and you stated that you would like to become a Microsoft Certified Systems Engineer (MCSE). You didn't get much of a pay raise (yet another cost-cutting initiative!), but your boss told you there was money in the training budget for the MCSE course—you're attending the training next week. However, after receiving the poor pay raise, you had polished your resume and applied for some other positions. You received an attractive job offer from another company for more money, and, in the last interview, your potential new boss commented that it was a shame you didn't have your MCSE certification because that would qualify you for a higher pay grade. The new company doesn't have the training budget to put you through the MCSE training for at least two years. You tell the interviewer that you will complete the MCSE training prior to starting the new position in order to qualify for the higher pay grade. You choose not to qualify that statement with any additional information on who will be paying for the training. You successfully gain the MCSE certification and then give your two weeks' notice. You start with your new company at the higher pay grade. Is that ethical?

Group responses will vary. Many people do move on to new jobs after receiving training from one company. If there is no stipulation in the company policy stating the employee must work for a specified time period upon completion of training to be fully paid for by the company, then it is the employee's right to search for other jobs. Many companies will only pay for certification courses if the employee agrees to work for them for a certain time period; otherwise, if the employee decides to leave, then the certification is their financial obligation.

2. **What you do in your free time…**

Divide into two groups and prepare arguments for and against the following behavior: You are attending an employee team-building retreat at a local resort. During one of the free periods in the busy agenda, you observe one of your colleagues in a passionate embrace with a young woman from another department. Since you work in HR and processed the hiring paperwork on both of them, you know that neither one of them is married, but your benefit plan provides coverage for "life partners," and both of them purchased health coverage for life partners. As you consider this revelation further, you are reminded that even if they have both ended their relationships with their respective partners, the company has a policy that expressly forbids employees from dating other employees in the company. Both you and the colleague you observed have applied for the same promotion—a promotion that carries a significant salary increase. What is your obligation here? Should you report him to your boss?

Group responses will vary. This is a tough scenario. If you do not inform your boss of your colleague, then there are potential problems if something should happen between the two "partners" or if someone else were to see them together. Plus, if the company has a clearly stated policy on employees not dating other employees, then your colleague should be reported. However, if you do report your colleague, it may seem as though you are motivated by the promotion for which you and the colleague are both applying. This may cause some inter-office conflict, especially if the colleague discovers who reported his actions to the boss.

3. **Treatment or prevention?**

Divide into two groups and prepare arguments for treatment (Group A) and prevention (Group B) in the following situation:

You work in your city for a local nonprofit organization that is struggling to raise funds for its programs in a very competitive grant market. Many nonprofits in your city are chasing grant funds, donations, and volunteer hours for their respective missions—homelessness, cancer awareness and treatment, orphaned children, and many more. Your organization's mission is to work with HIV/AIDS patients in your community to provide increased awareness of the condition for those at risk and also to provide treatment options for those who have already been diagnosed. Unfortunately, with such a tough financial situation, the board of directors of the nonprofit organization has determined that a more focused mission is needed. Rather than serving both the prevention and treatment goals, the organization can only do one. The debate at the last board meeting, which was open to all employees and volunteers, was very heated. Many felt that the *treatment programs offered immediate relief to those in need, and therefore represented the best use of funds. Others felt that the prevention programs needed much more time to be effective and that the funds were spread over a much bigger population who might be at risk. A decision has to be reached. What do you think?*

Group responses will vary. If the organization decided to focus on the treatment, then they would provide some relief to those who are suffering. It is extremely expensive to treat these patients; therefore, these patients would be grateful for the options and help provided. However, if the organization focuses on treatment, then it may send a signal to the community that the organization emphasizes prevention. More people could potentially be saved through prevention methods rather than waiting until they have contracted the disease.

4. **Time to raise prices…**

Divide into two groups and prepare arguments for and against the following behavior: You are a senior manager at a pharmaceutical company that is facing financial difficulties after failing to receive FDA approval for a new experimental drug for the treatment of Alzheimer's disease. After reviewing your test data, the FDA examiners decided that further testing was needed. Your company is now in dire financial straits. The drug has the potential to revolutionize the treatment of Alzheimer's, but the testing delay could put you out of business. The leadership team meets behind closed doors and decides the only way to keep the company afloat long enough to bring the new drug to market is to raise the prices of its existing range of drug products. However, given the financial difficulties your company is facing, some of those price increases will exceed 1,000 percent. When questions are raised about the size of the proposed increases, the chief executive officer defends the move with the following response: "Look, our drugs are still a cheaper option than surgery, even at these higher prices; the insurance companies can afford to pick up the tab; and, worst case scenario, they'll raise a few premiums to cover the increase. What choice do we have? We have to bring this new drug to market if we are going to be a player in this industry."

Group responses will vary. The company needs to look at all possible options before deciding to increase prices. The company should try to minimize the increase in price if this is the only option and then increase the drugs with the smallest profit margin. The ethical issue in this situation is a matter of price gouging, though this company would not be increasing prices only to stay in business, and not just to improve their bottom line. It is not unethical to charge more than other businesses. The idea that this new drug, once further tested, could really help with the treatment of Alzheimer's could potentially help a lot of people.

Thinking Critically

2.1 – Marriott: Wi-Fi As a Service or Revenue Stream??

1. What is the FCC's position on Wi-Fi jamming?

   The FCC provides clear instructions on its website that Wi-Fi jamming is illegal.

2. What is the position of hotels and convention centers?

   Students' responses will vary. The opportunity for additional revenue from guests is attractive but there are also security and maintenance issues to consider. Personal wi-fi hotspots can present a security risk, and the use of multiple hotspots in one location, such as a large hotel or convention hall, can drain the performance of the network and even overwhelm the capacity of the system.

3. Is there room for negotiation? Would less exorbitant fees draw less anger?

   Students' responses will vary. Hotels and convention centers see a potential downside that far exceeds any increased customer satisfaction. The loss of revenue combined with additional capital costs to upgrade their networks to support multiple personal hotspots seems, from their perspective, to be an unattractive proposition. Customers see themselves as a captive market and find no justification for a jammed signal – especially when the FCC has declared the practice to be illegal. Lower fees might draw less anger.

4. How should these companies balance their obligation to shareholders to make money against the obligation to provide good customer service?

   Student responses will vary. Since wi-fi access is such a pain-point for customers, hotels and convention centers could raise revenue elsewhere – rooms, food, amenities – to offset the loss of wi-fi revenue.

5. Is the FCC being too extreme in its position? Why or why not?

   Student responses will vary. Potential security risks are presented in defense of charging access fees, but without evidence of actual security breaches, the argument is weak and seems designed to support revenue generation more than anything else.

6. Is there potential for an equitable resolution of this issue? Why or why not?

Students' responses will vary. Since the optimum solution appears to be giving up revenue and investing capital in higher grade network systems in the name of increased customer satisfaction, an equitable solution seems unlikely.

2.2 – Unequivocal Dedication to Business Ethics?

1. Visit the website for BELA at www.ethisphere.com/bela. Define the three areas of performance for the World's Most Ethical Companies in detail, and explain which one you think will be the hardest for members to achieve and why.

   Students' responses will vary. When the website was accessed on November 6, 2016, the scoring had been changed to a corporate Ethics Quotient (EQ) of five categories: Ethics and Compliance Program (35%), Corporate Citizenship and Responsibility (20%), Culture of Ethics (20%), Governance (15%), and Leadership, Innovation and Reputation (10%).

   The case material still references the three performance areas: "promoting ethical business standards and practices internally, enabling managers and employees to make good choices, and shaping future industry standards by introducing tomorrow's best practices today."

2. Do you think it was a good idea to welcome founding members with such widely publicized ethical transgressions in their past? Why or why not?

   Students' responses will vary. Some of the students may find it a good idea because regardless of their past, the council members provide access to important resources to help individuals do their jobs.

3. BELA is a U.S.-driven initiative at the moment. Do you think it will achieve a wider global acceptance over time? Why or why not?

   Students' responses will vary. Some of them may say that as time progresses and the role of ethics becomes a wide-spread initiative, it is hopeful that it will achieve a wider global acceptance over a period of time.

4. Are the three key products enough to establish a credible reputation as an ethical company? What other values would you consider adding and why?

   Students' responses will vary. Some of them may say that these products (or the EQ) will be enough to enhance the opportunities to develop a credible reputation as an ethical company. Some of them may say that a commitment to sustainability by following environment friendly ways may also help establish a credible reputation as an ethical company.

5. Cynics could argue that this is simply a public relations exercise for companies that have performed unethical business practices in the past. Optimists could argue that this is, at the very least, a step in the right direction of restoring the ethical reputation of business as a whole. What do you think?

   Students' responses will vary. Some of them may say that hopefully it is a step in the right direction of restoring the ethical reputation of the business. It is very difficult to re-establish a positive image and reputation once it has been tarnished.

6. According to the rules of BELA, members will be audited every two years to make sure they are in compliance with BELA standards, and can face removal from the alliance should that audit provide evidence of failure to comply. Do you think the threat of removal from the alliance will keep members in line? Why or why not?

   Students' responses will vary. Some students may find that the threat of removal from the alliance is an incentive to keep members in line. Although some members of the alliance may partake in unethical practices, it is hopeful that they would learn how to and continue to make strong ethical decisions.

2.3 – Teaching or Selling?

1. Where is the conflict of interest in this CME relationship?

   Students' responses will vary. The conflict of interest in this continuing medical education (CME) relationship is that drug makers and medical device manufacturers are only sponsoring CME courses for their own benefit by promoting their products.

2. Do you think doctors are likely to be influenced by such promotional tactics? Why or why not?

   Students' responses will vary. Doctors would most likely be influenced by seeing the names and sponsors of drug makers and manufacturers while attending and completing their CME courses. These promotional tactics relate the name of the drug companies as a company who is heavily involved in the medical industry and willing to sponsor such events.

3. If the pharmaceutical company is paying for the event, shouldn't it have the right to promote its products at the event? Why or why not?

   Students' responses will vary. If the pharmaceutical company is paying for the event, it should have the right to promote its products at the event because all pharmaceutical companies have the opportunity to be a sponsor or pay for the event. However, the sole purpose of paying for the event should not be promotion.

4. Pfizer stated in 2008 that it would only support medical education put on by hospitals and professional medical associations. How can it then justify the Stanford grant?

   Students' responses will vary. Doctors and physicians are required to take CME courses; however, if these courses are put on by marketing companies, then it appears to be more of a promotional seminar than a learning environment. If supported when put on by hospitals and professional medical associations, it appears to have a more professional and educational aspect. Some students may consider it a way for Pfizer to obtain research and data for the good of the cause; however, others might consider its acts unethical.

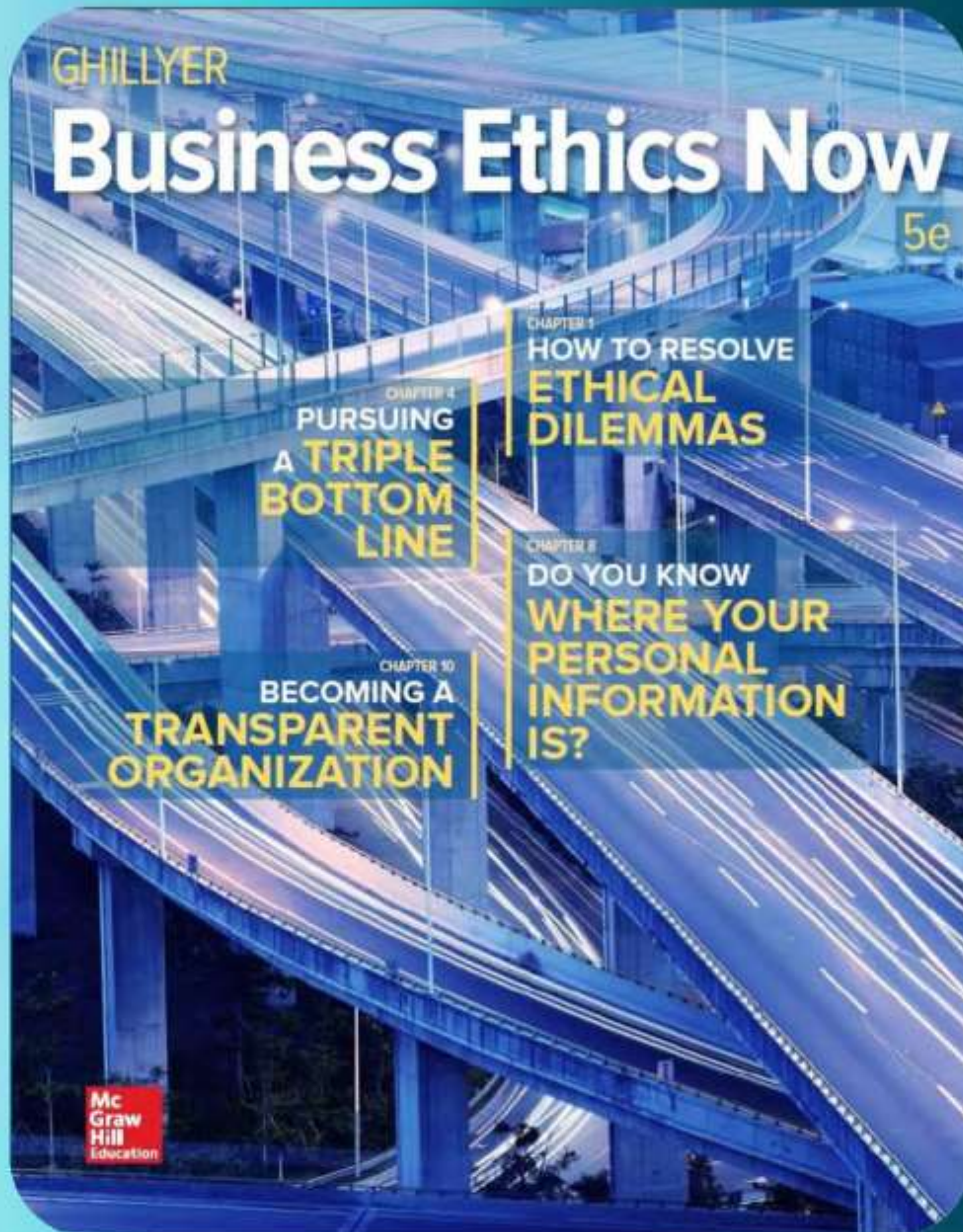
5. Has Pfizer simply replaced one conflict of interest with another? Why or why not?

   Students' responses will vary. The company had the right to modify its 2008 position and create a grant to encourage medical courses in education. It doesn't necessarily mean that it replaced one conflict of interest with another.

6. Propose an alternative approach to ensure CME is provided without a conflict of interest.

   Students' responses will vary. CME courses must be taken by doctors in order to maintain their licenses. Pharmaceutical companies must be aware of the mounting concern of conflict of interest and promotional tactics and take this into consideration when supporting or sponsoring a CME event. CME events put on by hospitals and professional medical organizations appear much more legitimate and less conflicting than when third-party marketing and communications companies put on the event.

Chapter 2



Defining Business Ethics

Learning Outcomes

- Define the term business ethics
- Identify an organization's stakeholders
- Discuss the position that business ethics is an oxymoron

Learning Outcomes (continued)

- Summarize the history of business ethics
- Identify and propose a resolution for an ethical dilemma in your work environment
- Explain how executives and employees seek to justify unethical behavior

Business Ethics

- **Business ethics**: Application of ethical standards to business behavior
- Approaches involve two perspectives
  - Descriptive - Documentation of what is happening
  - Normative (prescriptive) - Recommendation of what should happen

Stakeholders

- **Stakeholder**: Someone with a share or interest in a business enterprise
  - Not every stakeholder will be relevant in every business situation
- Concerns in terms of ethical operations
  - Involvement of the stakeholders with the actions of the organization
  - Extent to which they would be impacted by unethical behavior

Figure 2.1 - Stakeholder Interests

Stakeholders	Interest in the Organization
Stockholders or shareholders	• Growth in the value of company stock • Dividend income
Employees	• Stable employment at a fair rate of pay • A safe and comfortable working environment
Customers	• "Fair exchange"—a product or service of acceptable value and quality for the money spent • Safe and reliable products
Suppliers/vendor partners	• Prompt payment for delivered goods • Regular orders with an acceptable profit margin
Retailers/wholesalers	• Accurate deliveries of quality products on time and at a reasonable cost • Safe and reliable products
Federal government	• Tax revenue • Operation in compliance with all relevant legislation
Creditors	• Principal and interest payments • Repayment of debt according to the agreed schedule
Community	• Employment of local residents • Economic growth • Protection of the local environment

Figure 2.2 - Stakeholder Impact from Unethical Behavior

Stakeholders	Interest in the Organization
Stockholders or shareholders	· False and misleading financial information on which to base investment decisions · Loss of stock value · Cancellation of dividends
Employees	· Loss of employment · Not enough money to pay severance packages or meet pension obligations
Customers	· Poor service quality (as WorldCom struggled to combine the different operating and billing systems of each company they acquired, for example)
Suppliers/vendor partners	· Delayed payment for delivered goods and services · Unpaid invoices when the company declared bankruptcy
Federal government	· Loss of tax revenue · Failure to comply with all relevant legislation
Creditors	· Loss of principal and interest payments · Failure to repay debt according to the agreed schedule
Community	· Unemployment of local residents · Economic decline

Factors Ensuring Ethical Conduct

- **Corporate governance**: System by which business corporations are directed and controlled
- **Code of ethics**: Written standards of ethical behavior that are designed to guide managers and employees in making the decisions and choices they face every day

Dual Function of Code of Ethics

- Serves as:
  - A message to the organization's stakeholders
    - Represents a commitment to the highest standards of ethical behavior
  - An internal document
    - Represents a guide managers and employees in making the decisions and choices

Figure 2.3 - A Brief History of Business Ethics

Decade	Ethical Climate	Major Ethical Dilemmas	Business Ethics Developments
1960s	Social unrest. Antiwar sentiment. Employees have an adversarial relationship with management. Values shift away from loyalty to an employer to loyalty to ideas. Old values are cast aside.	• Environmental issues. • Increased employee-employer tension. • Civil rights issues dominate. • Honesty. • The work ethic changes. • Drug use escalates.	• Companies begin establishing codes of conduct and values statements. • Birth of social responsibility movement. • Corporations address ethics issues through legal or personnel departments.
1970s	Defense contractors and other major industries riddled by scandal. The economy suffers through recession. Unemployment escalates. There are heightened environmental concerns. The public pushes to make businesses accountable for ethical shortcomings.	• Employee militancy (employee versus management mentality). • Human rights issues surface (forced labor, substandard wages, unsafe practices). • Some firms choose to cover rather than correct dilemmas.	• Ethics Resource Center (ERC) founded (1977). • Compliance with laws highlighted. • Federal Corrupt Practices Act passed in 1977. • Values movement begins to move ethics away from compliance orientation to being "values centered."
1980s	The social contract between employers and employees is redefined. Defense contractors are required to conform to stringent rules. Corporations downsize and employees' attitudes about loyalty to the employer are eroded. Health care ethics are emphasized.	• Bribes and illegal contracting practices. • Influence peddling. • Deceptive advertising. • Financial fraud (savings and loan scandal). • Transparency issues arise.	• ERC develops the U.S. Code of Ethics for Government Service (1980). • ERC forms first business ethics office at General Dynamics (1985). • Defense Industry Initiative established. • Some companies create ombudsman positions in addition to ethics officer roles. • False Claims Act (government contracting).

Figure 2.3 - A Brief History of Business Ethics (continued)

Decade	Ethical Climate	Major Ethical Dilemmas	Business Ethics Developments
1990s	Global expansion brings new ethical challenges. There are major concerns about child labor, facilitation payments (bribes), and environmental issues. The emergence of the Internet challenges cultural borders. What was forbidden becomes common.	• Unsafe work practices in third world countries. • Increased corporate liability for personal damage (cigarette companies, Dow Chemical, etc.). • Financial mismanagement and fraud.	• Federal sentencing guidelines (1991). • Class action lawsuits. • Global Sullivan Principles (1999). • In *re Caremark* (Delaware Chancery Court ruling regarding board responsibility for ethics). • IGs requiring voluntary disclosure. • ERC establishes international business ethics centers. • Royal Dutch/Shell International begins issuing annual reports on its ethical performance.
2000s		• Cyber crime. • Increased corporate liability. • Privacy issues (data mining). • Financial mismanagement. • International corruption. • Loss of privacy—employees versus employers. • Intellectual property theft.	• Business regulations mandate stronger ethical safeguards (Federal Sentencing Guidelines for Organizations; Sarbanes-Oxley Act of 2002). • Anticorruption efforts grow. • Shift to emphasis on corporate social responsibility and integrity management. • Formation of international ethics centers to serve the needs of global business. • OECD Convention on Bribery (1997–2000).

Resolving Ethical Dilemmas

- **Ethical dilemma**: Situation in which there is no obvious right or wrong decision, but rather a right or right answer
  - Can be resolved by recognizing the type of conflict
    - Truth versus loyalty
    - Short term versus long term
    - Justice versus mercy
    - Individual versus community

Resolution Principles for Ethical Dilemmas

- Ends-based
    - Which decision would provide the greatest good for the greatest number of people?
- Rules-based
    - What would happen if everyone made the same decision as you?
- The golden rule
    - Do unto others as you would have them do unto you

Justifying Unethical Behavior

- Belief that an activity is within reasonable ethical and legal limits
- Belief that an activity is in the individual's or the corporation's best interest
- Belief that the activity is safe because it will never be found out or publicized
- Belief that because an activity helps the company, it will be condoned and the perpetrator will be protected