

Economic responsibility. Corporations have shareholders who demand a reasonable return on their investments, they have employees who want good jobs, and they have customers who want their products to satisfy their needs. The satisfaction of economic responsibilities is thus required of all corporations.

Legal responsibility. The legal responsibility of corporations demands that businesses abide by the law and “play by the rules of the game”. The satisfaction of legal responsibilities is required of all corporations seeking to be socially responsible.

Ethical responsibility. These responsibilities oblige corporations to do what is right, just, and fair even when they are not compelled to do so by the legal framework. Ethical responsibilities consist of what is generally expected by society over and above economic and legal expectations.

Philanthropic responsibility. The model incorporates activities that are within the corporation’s discretion to improve the quality of life of employees, local communities, and ultimately society in general. Philanthropic responsibilities are merely desired of corporations without expected or required, making them “less important than the other 3 categories”.

CSR in an international context.

The US tends to leave more discretion to companies over their social responsibilities. This has led to a model of explicit CSR, which means CSR as a distinct, named activity of private companies. Other countries have operated more of an implicit CSR model that sees social responsibilities of business tightly imbedded in the legal and institutional framework of society.

The aspect of *social responsibility* in the US is strongly focused on the profitability of companies and thus chiefly looks at the responsibility to shareholders. The dominant model of capitalism in much of Europe and Asia has traditionally been somewhat different. This model tends to define economic responsibility far more broadly and focuses, to varying degrees, on the economic responsibility of corporations to employees and local communities as well (e.g. fairly extensive health care and other social provisions).

The element of *legal responsibility* is often regarded as the basis of every other social responsibility in Europe, particularly given the prominent role of the state in regulating corporate practice. Continental European thinking tends to see the state in the role of enforcing the accepted rules of the game, whereas in the Anglo- American world view, governmental rules are more likely to be regarded as an interference with private liberty. In many developing countries with weak or corrupt governments, compliance at the legal level is often not a very reliable standard of responsible behavior.

Different religions of the world vary significantly as to local *ethical* values and preferences. Europeans tend to exhibit greater mistrust in modern corporations than North Americans do, while people in developing countries have far greater levels of trust in business. As a result, certain issues such as nuclear power, genetic engineering, and animal testing have

According to Schnakenberg and Tomlinson the quality of corporate transparency depends on 3 elements:

Disclosure – whether relevant information is made available in a timely and accessible manner.

Clarity- the degree to which information is understandable to relevant stakeholders.

Accuracy- whether the disclosed information is correct and reliable.

Increasingly, corporate accountability and transparency are being presented as necessities, not only from a normative point of view, but also with regard to the practical aspects of effectively doing business and maintaining the trust of stakeholders.

Assessing CC(Corporate Citizenship) as a framework for business ethics.

- The extended view of CC helps us to see better the political role of the corporation and clarifies the demand for corporate accountability that is such a prominent feature of contemporary business ethics thinking.
- By providing us with a way of understanding business in relation to common rights of citizenship across cultures, CC in this sense also helps us to better understand some of the challenges presented by the context of globalization.
- These rights of citizenship, which include rights to equality, participation, and a safe and clean environment, also have strong links to the goal for business ethics of sustainability.
- Although the notion of CSR has been widely adopted all over the world, the extended view of CC provides us with a more critical perspective on the social role of business.

Chapter 3 Evaluating Business Ethics

Normative ethical theories- the rules and principles that determine right and wrong for a given situation.

The role of ethical theory.

Ethical absolutism. On one side of the spectrum would be a position of ethical absolutism, which claims that there are eternal, universally applicable moral principles. According to this view, right and wrong are objective qualities that can be rationally determined.

Ethical relativism. Morality is context- dependent and subjective. There are no universal rights and wrongs that can be rationally determined – it simply depends on the person making the decision and the culture in which they are located.

Descriptive relativism: different cultures have different ethics, the former proposes that both sets of beliefs can be equally right.

Responsibility. Feminist perspectives would suggest that ethical decision-making asks for an active “taking” of responsibility. Feminist perspectives suggest an active involvement in and assumption of responsibilities for the ethical implications of business activities.

Experience. Highlight the fact that in decision-making, including ethical decisions, human beings are intricately determined by past experiences. So rather than applying “principles” or “rules” in an abstract way, this approach would encourage one to learn and develop from experiences in the past.

Ethical approaches based on procedures of norm generation

The best-known approach to norm generation in business ethics is that of discourse ethics.

Discourse ethics- an approach that aims to solve ethical conflicts by providing a process of norm generation through rational reflection on the real-life experience of all relevant participants.

The philosophical underpinning of discourse ethics is the argument that norms ultimately cannot be justified by rational arguments, but that they have to be generated and applied to solve ethical conflicts on a day-to-day basis.

In establishing a rational “ideal disclosure” about specific problems, this approach is thus supposed to be norm generating. Disclosure ethics assumes that ethical business should be rooted in stakeholder dialogue based on equal participation and conducted without domination or coercion by any party. An ethically correct decision is one that has been reached in the right way, with the agreement of all, irrespective of what the actual decision itself is.

Ethical approach based on empathy and moral impulse.

Postmodern ethics- an approach that locates morality beyond the sphere of rationality in an emotional moral impulse towards others. It encourages one to question everyday practices and rules, and to listen to one’s emotions, inner convictions, and gut feelings about what is right and wrong.

Postmodern business ethics emphasizes:

Holistic approach. As morality is an inner conviction of individual actors, there is no separation between the private and professional realm. For business organizations, such a view of ethical decision-making could unleash a quite subversive potential to business ethics, as it might question the beliefs and practices held by the organization.

Practices rather than principles. Morality is based on narratives of experience, metaphors to explain inner convictions, and practices that help individuals understand and overcome the unquestioned rules that constrain or dominate them.

Implicit value judgments. Kohlberg has interjected his own value judgments regarding the “most ethical” way of reasoning into what is essentially supposed to be a descriptive theory of how people actually think.

Invariance of stages. We do not always use the same reasoning when we are at work as we do at home or on the sports field.

Criticism (from slides):

1. Non-exhaustive, doesn't identify all the cultural dimensions possible, but just a few.
2. Partial geographic coverage – only a portion of the world's cultures and countries.
3. Western bias, which values western business ideals.
4. Attitudinal rather than behavioral measures, with no connection between employee attitudes and employee behaviors.
5. Ecological fallacy, national level data generalized into individual behavior.
6. I-C not a neatly defined continuum.

LOCUS OF CONTROL

An individual's locus of control determines the extent to which he or she believes that they have control over the events in their life.

Someone with a high *internal* locus of control believes that the events in their life can be shaped by their own efforts, whereas someone with a high *external* locus of control believes that events tend to be the result of the actions of others, or luck, or fate.

• **PERSONAL VALUES**

PERSONAL VALUES- individual beliefs about desirable behaviours and goals that are stable over time and which influence decision-making.

Values are an important aspect of ethical decision-making, and corporations are increasingly recognizing that they cannot simply ignore their employees' personal values when tackling ethical problems in their business.

• **PERSONAL INTEGRITY**

Personal integrity- an individual's adherence to a consistent set of moral principles or values.

The most common meaning refers to integrity as consistency.

Implementing ethics pledges- a key skill to develop because ethics pledges, when implemented effectively, can be useful tools to raise the awareness of basic ethical rules and moral values in a profession or in an organization.

Whistleblowing- intentional acts by employees to expose, either internally or externally, perceived ethical or legal violations by their organization.

Whistleblowing, as an act of ethical decision-making are clearly driven by a considerable degree of personal integrity on the part of the whistleblower (due to the consequences).

- **MORAL IMAGINATION**

Moral imagination is the creativity with which an individual is able to reflect about an ethical dilemma.

Rather than accepting the usual organizational recipe for looking at, prioritizing, and dealing with things, those with greater moral imagination should be able to envisage a greater set of moral problems, perspectives, and outcomes.

Cultivating moral imagination- This is a key skill as it enables you to think “outside the box” in relation to ethical problems and provides a richer choice of moral perspectives, options, and outcomes.

Analysing individual influences on ethical decision-making- a key skill because it helps you to assess the reasons why some individuals are more or less inclined to decide ethically based on their specific individual characteristics.

SITUATIONAL INFLUENCES ON DECISION-MAKING

Issue-related factors- differences in the importance we attach to ethical issues.

Context-related factors- the majority of us are at a conventional level of morality, which prompts us to seek guidance from those around us.

ISSUE-RELATED FACTORS

Issue-related factors have been shown to influence both whether an individual actually recognizes the moral nature of a problem in the first place (e.g. moral recognition stage) and also the way that people actually think about and act upon the problem (the subsequent stages in the ethical decision-making process).

- **MORAL INTENSITY**

Jones proposes that the intensity of an issue will vary according to 6 factors:

- 1) **Magnitude of consequences.** The expected sum of harms (or benefits) for those impacted by the problem or action. An issue will be felt more if the consequences are significant, such as health problems or death because of a faulty product.
- 2) **Social consensus.** People are in agreement over the ethics of the problem or action. Moral intensity is likely to increase when it is certain that an act will be deemed unethical by others.
- 3) **Probability of effect.** Refers to the possibility that the harms (or benefits) are actually going to happen.
- 4) **Temporal immediacy.** Concerned with the speed with which the consequences are likely to occur. When outcomes are likely to take years to have much effect, decision-makers may perceive the moral intensity to be much lower - for example in the case of the long-term effects of smoking or other “unhealthy” products.

The bureaucratic dimension has been argued to have a number of negative effects on ethical decision-making:

- **Suppression of moral autonomy.** Effective bureaucracy essentially “frees” the individual from moral reflection and decision-making since they need only to follow the prescribed rules and procedures laid down to achieve organizational goals. This can cause employees to act as “moral robots”, simply following the rules rather than thinking about why they are there or questioning their purpose.
- **Instrumental morality.** Morality will be made meaningful only in terms of conformity to established rules for achieving those goals rather than focusing attention on the moral substance of the goals themselves. Ethical decision-making will centre around whether “correct” procedures have been taken to achieve certain goals rather than whether the goals themselves are morally beneficial.
- **Distancing.** Bureaucracy serves to further suppress our own morality by distancing us from consequences of our actions (e.g. supermarket purchasing manager is rarely going to be faced with the effects of their supply negotiations on farm workers producing the supermarket’s coffee beans in Columbia).
- **Denial of moral status.** Employees become human “resources” that are means to some organizational end; consumers are reduced to a collection of preferences on a marketing database; animals become units of production output that can be processed in a factory. By dividing tasks and focusing on efficiency, the totality of individuals as moral beings is lost and they are ultimately denied true moral status.

• WORK ROLES

Work roles can be functional (accountant, engineer, etc.) or hierarchical (director, manager, etc). Prescribed work roles, and the associated expectations placed on the person adopting the role, would appear to be significant influences on decision-making (e.g. the Stanford Prison Experiment).

• ORGANIZATIONAL NORMS AND CULTURE

ORGANIZATIONAL CULTURE- the meanings, beliefs, and common-sense knowledge that are shared among members of an organization, and which are represented in taken-for-granted assumptions, norms, and values.

It suggest that as employees become socialized into particular ways of seeing, interpreting, and acting that are broadly shared in their organization, that will shape the kinds of decisions they make when confronted with ethical problems.

• NATIONAL AND CULTURAL CONTEXT

The local national context does indeed have an effect on managers’ ethical evaluations. Different cultures still maintain different views of what is right and wrong, and these differences have significant effects on whether a moral issue is recognized, and the kind of judgments and behaviors entered into by individuals.

External orientation. Focuses less on company values and more on satisfying external stakeholders such as customers, the community, and shareholders. Here, what is right is what is expected, or at least acceptable, to key external constituencies.

Protection orientation. Some programs are primarily oriented towards protecting top management from blame for ethical problems or legal violations. Employees and other stakeholders may see the introduction of ethics management as little more than an attempt to create legal cover for managers in case of accidents or legal infractions of some sort.

However, these four approaches are not mutually inconsistent, and most organizations are likely to combine 2 or more approaches.

Designing ethics programs- In order to enhance ethical behavior in organizations managers need skills in designing programs that comprehensively address the management of ethical issues across the organization.

INFORMAL ETHICS MANAGEMENT: ETHICAL CULTURE AND CLIMATE

The ethical culture change approach, there has been limited attention focused on establishing how such a transformation might take place, why it might occur, or even if it is possible at all.

The ethical learning approach focuses on ethical cultural learning. The learning approach focuses on smaller subcultural groups within the firm and enabling employees to make their own ethical decisions.

The ethical culture change approach may have only limited potential to effect real change, but it is considerably more attractive to many firms who not only may desire considerable control over the culture, but may also be worried about the potentially damaging effects of bringing out moral differences through the process of ethical cultural learning. Moreover, both pose significant challenges for company leaders in shaping a more appropriate context for ethical decision-making.

Managing ethical culture- Understanding, influencing or leveraging ethical culture is a key skill for leaders in promoting and empowering ethical decision-making in organizations.

Business ethics and leadership

Ethical leadership- Describes the role of senior managers in setting the ethical tone of the organization and fostering ethical behavior among employees.

Leadership: a process whereby an individual influences a group of individuals to achieve a common goal.

Leaders are often said to set the ethical tone in organizations.