

C102 – Day 20

Ethics...Morals...Ethics...

Ethics: What Are They?

- **Man, when perfected, is the best of animals, but when separated from law and justice, he is the worst of all.**

What is Ethics?

- **Moral code**
 - Set of rules
 - Establishes boundaries of generally accepted behavior
 - Different rules often have contradictions
- **Morality**
 - Social conventions about right and wrong
 - Widely shared

What is Ethics? (continued)

- **Morality may vary by:**
 - **Age**
 - **Cultural group**
 - **Ethnic background**
 - **Religion**
 - **Gender**

Definition of Ethics

- **Ethics is a set of beliefs about right and wrong behavior**
- **Ethical behavior conforms to generally accepted social norms**

Definition of Ethics

- **Virtues**
 - Habits that incline people to do what is acceptable
- **Vices**
 - Habits of unacceptable behavior
- **Value system**
 - Scheme of moral values

The Importance of Integrity

- **Integrity is a cornerstone of ethical behavior**

The Importance of Integrity

- **People with integrity**
 - Act in accordance with a personal code of principles
 - Extend to all people the same respect and consideration that you desire
 - Apply the same moral standards in all situations

What Makes Ethics

- **It is a matter of opinion**
- **Family influences**
- **Life experiences**
- **Education**
- **Religious beliefs**
- **Personal values**
- **Peer influences**

What Makes Ethics

- **Virtues**
- **Vices**
- **Integrity**

Ethics in the Business World

- Risk is the product of multiplying the likelihood of an event by the impact of its occurrence

Ethics in the Business World

- **Risks associated with inappropriate behavior have increased due to**
 - **Globalization**
 - **Heightened vigilance by**
 - **Employees**
 - **Shareholders**
 - **Regulatory agencies**

Ethics in the Business World (continued)

- **Recent scandals in IT companies**
 - **WorldCom**
 - **Qwest Communications International Inc.**
 - **Adelphia Communications Corp.**
 - **Computer Associates (CA)**
 - **Arthur Anderson**
 - **Enron**

Legal Overview: The Sarbanes-Oxley Act

- **Enacted in response to public outrage over several major accounting scandals**
- **Section 404 requires that the CEO and CFO sign any SEC filing to attest to its accuracy**
- **Public Company Accounting Oversight Board (PCAOB) provides oversight for auditors of public companies**
- **IT organizations must build controls that ensure information stands up to audit scrutiny**

Why Fostering Good Business Ethics Is Important

- **To gain the goodwill of the community**
- **To create an organization that operates consistently**
- **To produce good business**
- **To protect the organization and its employees from legal action**
- **To avoid unfavorable publicity**

Gaining the Goodwill of the Community

- **Basic responsibilities to society**
 - Declared in formal statement of company's principles or beliefs
 - Include:
 - Making contributions to charitable organizations and nonprofit institutions
 - Providing benefits for employees in excess of legal requirements
 - Choosing economic opportunities that might be more socially desirable than profitable

Gaining the Goodwill of the Community (continued)

- **Goodwill that socially responsible activities create can make it easier for corporations to conduct business**

Creating an Organization That Operates Consistently

- **Many business values include:**
 - **Operating with honesty and integrity, staying true to corporate principles**
 - **Operating according to standards of ethical conduct, in words and action**
 - **Treating colleagues, customers, and consumers with respect**
 - **Striving to be the best at what matters most to the company**
 - **Accepting personal responsibility for actions**
 - **Valuing diversity**
 - **Making decisions based on facts and principles**

Good Ethics Can Mean Good Business

- **Produce safe and effective products**
 - Avoid costly recalls and lawsuits
- **Provide excellent service**
 - Maintain customers
- **Develop and maintain strong employee relations**
 - Suffer less turnover
 - Enjoy better employee morale

Good Ethics Can Mean Good Business (continued)

- **Suppliers and other business partners prefer companies that operate in a fair and ethical manner**
- **Bad ethics can lead to bad business results**

Protecting the Corporation and Its Employees from Legal Actions

- **U.S. Justice Department sentencing guidelines suggest more lenient treatment for convicted executives if their companies had ethics programs**

Protecting the Corporation and Its Employees from Legal Actions

- **Fines for criminal violations can be lowered by up to 80 percent if the organization has implemented an ethics management program and cooperates with authorities**

Avoiding Unfavorable Publicity

- **Public reputation of company strongly influences**
 - Value of its stock
 - How consumers regard products and services
 - Degree of oversight received from government agencies
 - Amount of support and cooperation received from business partners

Improving Corporate Ethics

- **Risks of unethical behavior are increasing**
- **Improvement of business ethics is becoming more important**

Appointing a Corporate Ethics Officer

- **Corporate ethics definition includes**
 - Ethical conduct
 - Legal compliance
 - Corporate social responsibility

Appointing a Corporate Ethics Officer

- **Corporate ethics officer**
 - Is a senior-level manager
 - Provides vision and direction in the area of business conduct
 - Tries to establish an environment that encourages ethical decision making

Appointing a Corporate Ethics Officer (continued)

- **Responsibilities include:**
 - **Complete oversight of the ethics function**
 - **Collecting and analyzing data**
 - **Developing and interpreting ethics policy**
 - **Developing and administering ethics education and training**
 - **Overseeing ethics investigations**

Ethical Standards Set by Board of Directors

- **Board responsible for supervising management team**

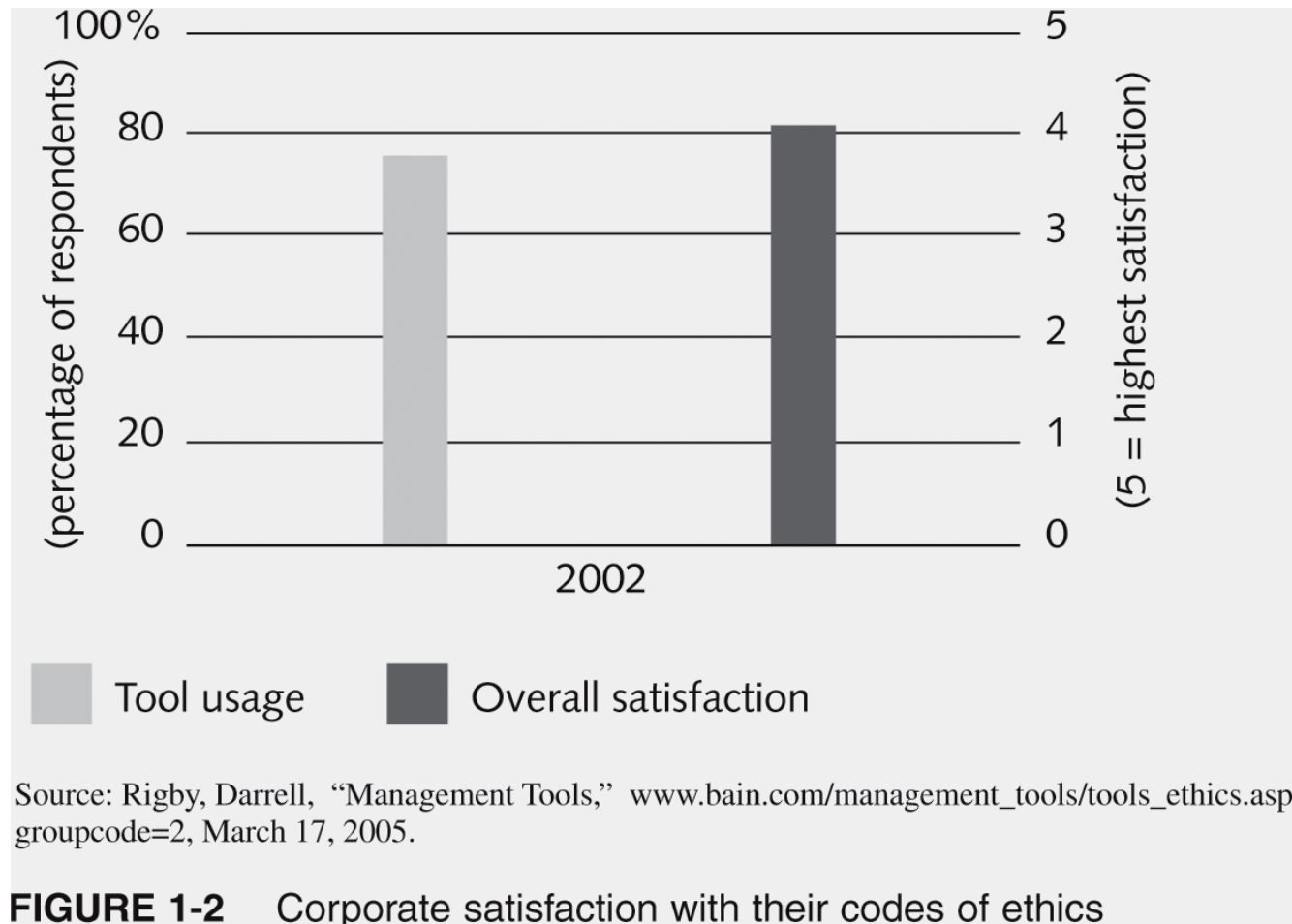
Ethical Standards Set by Board of Directors

- **Directors of company are expected to**
 - **Conduct themselves according to the highest standards of personal and professional integrity**
 - **Set standard for company-wide ethical conduct**
 - **Ensure compliance with laws and regulations**

Establishing a Corporate Code of Ethics

- **Code of ethics:**
 - **Highlights an organization's key ethical issues**
 - **Identifies overarching values and principles important to an organization**
 - **Focuses employees on areas of ethical risk**
 - **Cannot gain company-wide acceptance unless**
 - **Developed with employee participation**
 - **Fully endorsed by organization's leadership**
 - **Must continually be applied to company's decision making**

Corporate Satisfaction with their Codes of Ethics



Conducting Social Audits

- **Social audit**
 - Identifies ethical lapses committed in the past
 - Sets directives for avoiding similar missteps in the future

Requiring Employees to Take Ethics Training

- **Comprehensive ethics education program encourages employees to act responsibly and ethically**
 - Often presented in small workshop formats
- **Principle-based decision making is based on principles in corporate code of ethics**

Including Ethical Criteria in Employee Appraisals

- **Some companies base a portion of employee performance evaluations on:**
 - **Treating others fairly and with respect**
 - **Operating effectively in a multicultural environment**
 - **Accepting personal accountability**
 - **Continually developing themselves and others**
 - **Operating openly and honestly with suppliers, customers, and other employees**

When Good Ethics Result in Short-Term Losses

- **Operating ethically does not always guarantee business success**

When Good Ethics Result in Short-Term Losses

- **Organizations that operate outside the United States**
 - Deal with a “business as usual” climate
 - Are placed at a significant competitive disadvantage
- **Hope good ethics will prove to be good business in the long term**