Importance of ethics in business as an academic discipline

Sociology, Ethics

0. 1OUTLINE OF THIS PAPER This paper is discussed under the following broad areas: Preliminaries 1. Statement of the Problem 2. Executive Summary Main Paper 1. Introduction to Business Ethics 2. Ethics as anAcademicDiscipline 3. Importance of Ethics in Business as an Academic Discipline 4. The Case Against Business EthicsEducation5. Conclusion 0. 2STATEMENT OF THE PROBLEM Question 1: Discuss the importance of Ethics in business as an Academic Discipline. 0. 3EXECUTIVE SUMMARY

In today's highly competitive, performance-driven business climate, regulations are not enough; professional ethics codes are not enough; the old model of " business ethics" is not enough. According to a 2003 survey of corporate directors and general counsel conducted by the National Association of Corporate Directors and the American Corporate Counsel Association, "…the two groups overwhelmingly agree that the single measure that would most improve corporate governance is the establishment by senior management of an ethical businessculture. And, " Another clear message of the survey is that ethicalleadershipfrom the top is the key to reducing corporate malfeasance. " Considering the ethical failures in the last several years and the resulting crisis in confidence, a sincere commitment to creating and sustaining an ethical business culture in public and private sectors has never been more important. It is important that each individual feels personally ethically responsible. How an individual treats others, is affected by the way the individual is treated within the organization or by society.

The focus on ethics provides a guide to individual and organizational actions in a consistent manner. The question ethics tries to answer is: " Is this the right thing to do? The purpose of ethical inquiry is to create a framework of general principles or right and wrong, what one might do, and what one's duties are. The ethical application in a business situation is for managers to draw a line between morality and individual or institutional self-interest. Ethical analysis involves assessing issues and paying attention to the effects of potential decisions on the lives of those who will be affected.

The imperatives of day-to-day organizational performance are so compelling that there is little time or inclination to divert attention to the moral content of organizational decision-making. Morality appears to be so esoteric and qualitative in nature that it lacks substantive relation to objective and quantitative performance. An effective organizational culture should encourage ethical behavior and discourage unethical behavior. Admittedly, ethical behavior may cost the organization.

Even though ethical problems in organizations continue to greatly concern society, organizations and individuals, the potential impact that organizational culture can have on ethical behavior has not really been explored. What is needed in today's complicated times is for more organizations to step forward and operate with more positive and ethical cultures. Ethical decision making is key to the very fabric of administration and governance, either in a business setting or government operations. To have an ethical organization or business enterprise, requires: ? having a critical mass of ethically responsible individuals ? romoting norms that

encourage ethical behavior ? having leaders who behave ethically and serve as ethical role models for others to emulate. 1. 0INTRODUCTION 1. 1What is Ethics? Ethics has been defined in many different ways by various people, depending on the perceptive they have and also the context of the definition. Some of the thoughts and definitions of term ' Ethics' are as follows: ? Ethics refers to well based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness or specific virtues. Ethics means the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to the standards that are reasonable and solidly-based. ? Ethics is the study and development of one's ethical standards. It is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded. ? Ethics refers to those standards that impose the reasonable obligations to refrain from behaving in an unacceptable manner, such as rape, stealing, murder, assault, slander or fraud. Ethical standards include standards relating to rights such as rights to life, the right to freedom from injury and the right to privacy. ? Ethics has to do with acting ethically as individuals, creating ethical organizations and governments and making our society as a whole ethical in the way it treats everyone. ? Ethics refers to standards of behavior that tell us how human beings ought to act in the many situations in which they find themselves as friends, parents, children, citizens, business people, and professionals. . 2Definition of Terminologies associated with Ethics What are the differences between values, morals and ethics? They all provide behavioral rules, after all. It may seem like splitting

hairs, but the differences can be important when persuading others. Ethics : Ethics may be defined as: rules or standards governing the conduct of a person or the members of a profession. Ethics tend to be codified into a formal system or set of rules which are explicitly adopted by a group of people e. g. medical ethics.

Ethics are thus internally defined and adopted, whilst morals tend to be externally imposed on other people. If you accuse someone of being unethical, it is equivalent of calling them unprofessional and may well be taken as a significant insult and perceived more personally than if you called them immoral (which of course they may also not like). Values: Values are the rules by which we make decisions about right and wrong, should and shouldn't, good and bad. They also tell us which are more or less important, which is useful when we have to trade off meeting one value over another.

Values can be defined as: beliefs of a person or social group in which they have an emotional investment (either for or against something); " he has very conservatives values" Morals: Morals have a greater social element to values and tend to have a very broad acceptance. Morals are far more about good and bad than other values. We thus judge others more strongly on morals than values. Morals can be defined as: motivationbased on ideas of right and wrong. Moral conduct is a mood arousing good behavior with others by showing happy mien, nice wording, and kind manners.

Norms: Norms are the behavioral expectations and cues within a society or group. They have been defined as " the rules that a group uses for

appropriate and inappropriate values, beliefs, attitudes and behaviors. These rules may be explicit or implicit. Failure to stick to the rules can result in severe punishments, the most feared of which is exclusion from the group. " They have also been described as the " customary rules of behavior that coordinate our interactions with others. " The social norms indicate the established and approved ways of doing things, of dress, of speech and of appearance. 1. 3Applications of Ethics

Ethics have been adapted in various areas of life such as: Legal ethics This encompasses an ethical code governing the conduct of people engaged in the practice of law. The model rules address the client-lawyer relationship, duties of a lawyer as advocate in adversary proceedings, dealings with persons other than clients, law firms and associations, public service, advertising, and maintaining the integrity of the profession. Respect of client confidences, candor toward the tribunal, truthfulness in statements to others, and professional independence are some of the defining features of legal ethics.

Professional responsibility is the area of legal practice that encompasses the duties of attorneys to act in a professional manner, obey the law, avoid conflicts of interest, and put the interests of clients ahead of their own interests. Professional ethics This concerns the moral issues that arise because of the specialist knowledge that professionals attain, and how the use of this knowledge should be governed when providing a service to the public. The professional carries additional moral responsibilities to those held by the population in general.

This is because professionals are capable of making and acting on an informed decision in situations that the general public cannot, because they have not received the relevant training. For example, a layman member of the public could not be held responsible for failing to act to save a car crash victim because they could not give an emergency tracheotomy. This is because they do not have the relevant knowledge. In contrast, a fully traineddoctor(with the correct equipment) would be capable of making the correct diagnosis and carrying out the procedure and we would think it wrong if they stood by and failed to help in this situation.

You cannot be held accountable for failing to do something that you do not have the ability to do. This additional knowledge also comes with authority and power. The client places trust in the professional on the basis that the service provided will be of benefit to them. It would be quite possible for the professional to use his authority to exploit the client. An obvious example is that of the dentist who carries out unneeded dental work on his patients in order to gain moremoney. It is likely that the patient will not have sufficient knowledge to question what is being done, and so will undergo and pay for the treatment.

Work ethic: This is viewed as a set of values based on the moral virtues ofhard workand diligence. It is also a belief in moral benefit of work and its ability to enhance character. Good work ethics may include being ? reliable ? having initiative ? maintaining social skills 1. 4Branches of Ethics Descriptive Ethics - it simply involves describing how people behave and/or what sorts of moral standards they claim to follow. Descriptive ethics will include research

from the fields of anthropology, psychology, sociologyand history in order to determine what people do or have believed about moral norms. . g. a description of what corporations and executives actually do value Descriptive ethics is sometimes referred to as comparative ethics because so much activity can involve comparing ethical systems: comparing the ethics of the past to the present, comparing the ethics of one society to another and comparing the ethics which people claim to follow with the actual rules of conduct which do describe their actions. All said, descriptive ethics asks two basic questions: 1. What do people claim as their moral norms? 2. How do people actually behave when it comes to moral problems?

Metaethics - this investigates where our ethical principles come from, and what they mean. Are they merely social inventions? Do they involve more than expressions of our individual emotions? It is a philosophical study of the meaning, nature and methodology of moral judgments and terms, relations between moral concepts, the correct ways of arguing about moral issues, similarities and differences between various normative systems (e. g. , morality, religion, law, etiquette, aesthetics, the requirements of prudence, the judgments of taste), etc.

There are questions about morality that are not concerned with its content, being neither questions on what principles there should be nor how we must live. These spring instead from puzzles about the logical form of morality. For example, the question of the objectivity or subjectivity of moral judgements and the problem of the logical relation between moral beliefs and factual beliefs are not directly concerned with the content of any particular form of

moral life, but with what the general logical rules of any morality or any moral argument, whatever it advocates or condemns, must be.

According to Richard Garner and Bernard Rosen, there are three kinds of meta-ethical problems, or three general questions: ? What is the meaning of moral terms or judgments? ? What is the nature of moral judgments? ? How may moral judgments be supported or defended? A question of the first type might be, " What do the words 'good', 'bad', 'right' and 'wrong' mean? " For example, until you have decided whether moral beliefs reflect some objective truth or are dependent on the personal desires of their holders you cannot know what form of argument is appropriate for the support or refutation of any given belief.

Indeed you may not know if rational argument about morality is possible at all. Normative ethics Takes on the task of arriving at moral standards that regulate right and wrong conduct. This may involve articulating the good habits that we should acquire, the duties that we should follow, or the consequences of our behavior on others. Normative ethics is concerned with classifying actions as right and wrong without bias, as opposed to applied ethics. e. g. an account of what corporations and executives should value

Applied ethics involves examining specific controversial issues, such asabortion, infanticide, animal rights, environmental concerns, homosexuality, capital punishment, or nuclear war. By using the conceptual tools of metaethics and normative ethics, discussions in applied ethics try to resolve these controversial issues. The lines of distinction between

metaethics, normative ethics, and applied ethics are often blurry. For example, the issue of abortion is an applied ethical topic since it involves a specific type of controversial behavior.

But it also depends on more general normative principles, such as the right of self-rule and the right to life, which are litmus tests for determining the morality of that procedure. The issue also rests on metaethical issues such as, " where do rights come from? " and " what kind of beings have rights? " 1. 5Core Ethical Values The following recommended core ethical values were developed based on research by the program founder, Dr. Ron Bucknam, for the development of an applied ethics in professional practice program to assist in evolving solutions to ethical dilemmas encountered in professional practice. Integrity o exercising good judgment in professional practice o adherence to ethical principles ? Honesty ? truthfulness ? fairness ? sincerity ? Fidelity ? faithfulness to clients ? allegiance to the public trust ? loyaltyto employer, firm or agency ? loyalty to the profession ? for the theist, faithfulness to God ? Charity 1) kindness 2) caring 3) good will 4) tolerance 5) compassion/mercy ? Responsibility 1. reliability/dependability 2. accountability3. trustworthiness ? Self-Discipline ? acting with reasonable restraint ? not indulging in excessive behavior

All the above ethical values are important to development and maintenance of an ethical business organization as well as an ethical society. 1. 6Development of Ethics The study of business ethics in North America has evolved through five distinct stages: ? Before 1960 ? The 1960's ? The 1970's ? The 1980's ? The 1990's – and continues to evolve in the 21st

century. Ethics in Business Before 1960's: Ethics in Business Until 1960, ethical issues related to business were often discussed within the domain of theology orphilosophy. Catholic collages and universities began to offer courses in social ethics.

Protestants also developed ethics courses in their seminars and schools of theology and addressed issues concerning morality and ethics in business. The protestant work ethics encouraged individuals to work hard and attain success in the capitalistic system. Such religious traditions provided a foundation for the future field of business ethics. The 1960's: The rise of social issues in business The 1960's saw the decay of inner cities and the growth of ecological problems such aspollutionand disposal of toxic and nuclear waste. In 1962, President John F.

Kennedy delivered " special message on protecting the consumer interest", in which he outlined four basic consumer rights: the right to safety, the right to be informed, the right to choose, and to be heard. This came to be known as the consumer bill of rights. The modern consumer movement began in 1960's. At this stage, activities that could destabilize the economy or discriminate any class of citizen began to be viewed as unethical The 1970's: Business ethics as an emerging field Business ethics began to develop as an emerging field of study in the 1970's.

Business professors began to teach and write about corporate social responsibility. Companies became more concerned with their public image. The 1980's: Consolidation In the 1980's business academics and

practitioners acknowledged business ethics as a field of study. Five hundred courses in business ethics were offered at collages across the country with more than forty thousand students enrolled. Corporations that were once nationally based began operating internationally and found themselves mired in value structures where accepted rules of business behavior no longer applied.

The 1990's: Institutionalization of business ethics The administration of President Clinton continued to support self regulation and free trade. The federal sentencing guidelines for organizations set the tone for organizational ethical compliance programs in 1990's. Companies were made to develop corporate values, enforce its code of ethics, and strive to prevent misconduct. 1. 7Why Should One Be Ethical? Ethical behavior can be defined as: " Conducting one's life in complete accord with a firmly held set of values and principles. " These principles may be derived from religious beliefs, philosophical understanding, etc.

Application should be in all areas of one's life: personal, family, business, social, etc. The question asked by some is whether there is a universal ethical standard for everyone. And the answer is, yes - Ethics is taught in different cultures using various approaches as seen below. Such approaches are at times used in school for more effectiveness. In Principle, there is a universal ethical standard practiced by: Christian principle: The Golden Rule " Do unto others as you would have them do unto you. " Luke 6: 29-38 " Thou shalt love thy neighbor as thyself. " Luke 10: 27

Other religions also have their own golden rule, that they teach their believers, which guides the moral and ethical behavioral standard. For example: Islam: No one of you is a believer until he loves for his brother what he loves for himself. Hinduism: Do nothing to thy neighbor which thou wouldst not have him do to thee. Sikhism: Treat others as you would be treated yourself. Buddhism: Hurt not others with that which pains thyself. Confucius: What you do not want done to yourself, do not do to others. Aristotle: We should behave to our friends as we wish our friends to behave to us. Plato:

May I do to others as I would that they should do unto me. In studying business ethics, we want to know the facts about what people actually do value. But we also want to know what people ought to value. Business ethics asks questions about how things should be done, and thus go beyond simply asking questions about ethos. There is already something odd about this question. It is like asking, " Why are bachelors unmarried? " They are unmarried by definition. If they were married, they would not be bachelors. It is the same with ethics. To say that one should do something is another way of saying it is ethical.

If it is not ethical, then one should not do it. 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? It is perfectly all right to ask if there is a reward for being good, but this has nothing to do with whether one should be good. It makes no sense to try convincing people that they should be good by pointing to the rewards that

may follow. One should be good because " good" is, by definition, that which one should be. As for motivation, good behavior often brings a reward, but not every time.

Think about it. If it were always in one's interest to be good, there would be no need for ethics. We could simply act selfishly and forget about obligation. People invented ethics precisely because it does not always coincide with self interest. Impacts of not inculcating ethics 2. 0ETHICS AS AN ACADEMIC DISCIPLINE 2. 1Can Ethics Be Taught? Of the Institutions that have contributed to the quality of human life, business ranks withscience, art, and education. Business has created the wealth that has given unprecedented numbers of individuals financial control of their lives.

It has expanded immeasurably the range of goods and services available to individuals. It has broken down countless centuries-old barriers of racial, sexual, religious, and ethnic prejudice. And it has been the vehicle for countless numbers of individuals to develop their fullest potentials in achieving theirdreams. In short, business has been a prime mover in making it possible for millions to pursue their lives in a wealthy, healthy, rational and exciting world. Yet no other human institution has been so plagued by suspicions of immorality. " Business ethics," the old joke goes, " Isn't that a contradiction in terms? How moralists evaluate business depends upon their fundamental moral principles. Most moral philosophy has included the assumption that morality and practicality are two different things. Older moralists typically argued that the demands of morality conflicted with the requirements of business practicality, and so condemned business. More

recent moralists tend to adopt a less extreme version of the dichotomy, holding that determining what is practical and what is moral involves following two distinct lines of thought, although what is moral and what is practical happen to coincide in many cases. (Stephen Hicks , PhD.

Chairman of the philosophy department at Rockford College, Stephen Hicks is the author of a forthcoming book on business ethics.) Since Objectivism is unique in its rejection of the traditional dichotomy of the moral and the practical, it offers a unique perspective on the full range of business ethics issues. Ayn Rand's Atlas Shrugged, The Virtue of Selfishness, and Capitalism: The Unknown Ideal remain by far the best presentation of the broader moral context within which to evaluate the various dimensions of business practice. The major issues in business ethics can be classified into four areas: ?

The relationship between business and consumers ? The relationship between employers and employees ? The nature and value of special forms of business organization—most notably, that of the corporation ? The nature and value of financial markets The issue of the proper scope of government regulation cuts across these four categories. Miscellaneous issues such as waste disposal (" theenvironment") and investing in morally dubious foreign nations (such as Communist China or Iraq) are often debated in the business ethics literature, but are primarily issues of political theory and so do not fit into the above business ethics categories.

Even granting that business ethics is important, many seem to believe that there is no point in studying the subject. Ethics is something you feel, not

something you think. Finance, marketing, operations, and even business law lend themselves to intellectual treatment, but ethics does not. The idea that ethics has no intellectual content is odd indeed, considering that some of the most famous intellectuals in world history have given it a central place in their thought (Confucius, Plato, Aristotle, Maimonides, Thomas Aquinas, etc.). Ethics is in fact a highly developed field that demands close reasoning.

The Western tradition in particular has given rise to sophisticated deontological, teleological and consequentialist theories of right and wrong. No one theory explains everything satisfactorily, but the same is true, after all, in the natural sciences. Even when they grant that ethics has intellectual content, people often say that studying the field will not change behavior. Character is formed in earlychildhood, not during a professor's lecture. If the suggestion here is that college-level study does not change behavior, we should shut down the entire business school, not only the ethics course.

Presumably the claim, then, is that studying finance and marketing can influence one's conduct, but studying ethics cannot. This is again a curious view, since ethics is the one field that deals explicitly with conduct. Where is the evidence for this view? The early origins of character do not prevent finance and marketing courses from influencing behavior. Why cannot ethics courses also have an effect? Ethics courses have a number of features that seem likely to influence behavior: ? Ethical courses provide a language and conceptual framework with which one can talk and think about ethical issues.

Their emphasis on case studies helps to make one aware of the potential consequences of one's actions. ? They present ethical that theories help define what a valid ethical argument looks like. ? They teach one to make distinctions and avoid fallacies that are so common when people make decisions. ? They give one an opportunity to think through, at one's leisure, complex ethical issues that are likely to arise later, when there is no time to think. ? They introduce one to such specialized areas as product liability, employment, intellectual property, environmental protection, and cross-cultural management. They give one practice at articulating an ethical position, which can help resist pressure to compromise. None of this convinces one to be good, but it is useful to those who want to be good. It may also improve business conduct in general. ? They enable an individual identify the unethical business conducts that occurs in the business world to-date, for example: o Account Fraud o Insider Trading; (of stock and Bonds) o Falsifying Documents o Deceptive Advertising o Defective Products o Bribery o Employee Theft ? They train the society and future generations to be ethical thereby raising the ethical standards in the business world. An individual's personal values and moral philosophy are only one factor in the ethical decision-making process. The courses enable an individual to distinguish the individuals everyday ethical issues from business ones. ? They enable one to deal with individuals' personal moral dilemmas as these issues affect everyone's ability to function on the job. How many of the recent business scandals would have occurred if subordinates had possessed the skills, vocabulary and conceptual equipment to raise an ethical issue

with their coworkers? Ethics not only should be studied alongside management, but the two fields are closely related.

Business management is all about making the right decisions. Ethics is all about making the right decisions. So what is the difference between the two? Management is concerned with how decisions affect the company, while ethics is concerned about how decisions affect everything. Management operates in the specialized context of the firm, while ethics operates in the general context of the world. Management is therefore part of ethics. A business manager cannot make the right decisions without understanding management in particular as well as ethics in general. Business ethics is management carried out in the real world. This is why usiness majors should study ethics for future benefit in the business world. 3. 0IMPORTANCE OF ETHICS IN BUSINESS AS AN ACADEMIC DISCIPLINE 3. 1Benefits of Ethics in Business Business ethics started developing as an academic discipline in the 1970's. At this time, theologians and philosophers had laid down the ground work suggesting that certain principles could be applied to the corporate activities. Using this foundation, business professors started to teach and write about corporate social responsibility which is an organization's obligation to maximize its positive impact to stake holders and to minimize its negative impact.

A Marketplace Advantage: When most managers and employees study ethics in learning institutions as an academic discipline, it enables them gain intelligence of business ethics, that later attracts more customers and investors who will have more trust for the corporate practices and values as

primary considerations in their decision-making to either, if customers, buy the organization's product or, if investors, decide to invest in the organization.

Superior Employee Performance: With the company employees and management application of their academic gained business ethics practices, the companies with sound business ethics and established values report improved employee morale, reduced employee turnover and increased productivity. As a result, the organization is able to work towards achieving its objectives due to enhanced better performance of the employees. Reputation Management:

Workers in the organization can use their academically gained ethical lessons since if an organization is damaged by scandal or unethical behavior, a company's reputation may never recover – resulting in lost revenue, low employee morale, and increased governmental and public scrutiny. Emphasizing responsible business conduct is the surest means of preserving a company's intangible assets. Powerful legal and Financial Incentives:

Another importance for the organization to follow business ethics is that the international regulatory developments shall provide strong legal and financial incentives to corporations that establish standards of conduct and provide ethics education and training to employees promoting business ethics as an academic discipline and ethical conducts of individuals in the organization. Enhanced Consumer ad employee loyalty: Consumer and employee commitment comes from their belief that their future is attached

to the organization and thus are willing to make sacrifices for the organization.

Study of ethics as an academic discipline is able to highlight to the consumer and employees the importance to be loyal to one organization; the benefits are reduced prices to the consumers and ability to the seller to understand the customer needs, it also promotes more trust to the employees who are also able to share during the company success periods. Increased Organization Profits: Another importance of business ethics as an academic discipline is that the company can improve its profit base. A company cannot nurture and develop an ethical climate unless it has achieved adequate financial profits.

Businesses with greater resources have means to practice social responsibility while serving their customers, valuing their employees, and establishing trust with the public. Many studies have found relationships between corporate social responsibility and business performance. Customer satisfaction: Customer satisfaction is another important value business receives from better ethical operations of the organization that serves its customers and customer satisfaction is one of the most important in an effective business strategy.

This can be achieved one way if the business operates ethically by considering the customer expectations and needs as well as avoiding exploitation of the customers. Investor's loyalty: Investors today are extremely concerned with the organizations ethics, social responsibility, and

reputations of the companies in which they invest in. investors also do recognize that the ethical climate provides a foundation of efficiency, productivity and profitability. Many companies such as Global crossing, Adelphia, Freddie Mac lost their investors due to unethical standards in their operations. Differentiating between personal and business ethics:

Many people believe that individual's ethics can be applied in the business setting, that is, wrong study of business ethics as an academic discipline helps to give a difference between the personal ethics and business ethics that can be applied in solving the organization's ethical dilemmas. Identification of ethical issues: Study of ethics as an academic discipline also helps in enlightening individuals on ways to identify and deal with business ethics issues. It also enables both organizations and individuals to learn about ethical decision making and ways to promote ethical standards in the organization.

By studying business ethics one begins to understand how to cope with conflicts. Promotion of organization responsibility: Study of ethics as an academic discipline also helps to ensure the organization undertakes its responsibility in the society and help solve the company stake holder's problems. 3. 2Societal Costs of Unethical Behavior 1. Law enforcement and other security personnel 2. Physical protection (locks, electronic security, fences, vaults, etc.) 3. A substantial portion of attorney and court system costs 4. Some welfare costs 5. Costs of collecting taxes 6. Wasted/misused investment funds . A substantial portion of accounting/auditing costs 8. A large fraction of costs for regulators and examiners 9. Some

marketing/advertising costs 10. Costs for institutions like better business bureaus, consumer protection agencies 11. Some costs of bankruptcy 12. Lack of investment from outside investors, tourists 3. 3Business Costs of Unethical Behavior 1. Loss of physical assets 2. Increased costs of security 3. Loss of customers – especially those who value ethics 4. Loss of employees especially – the more ethical 5. Loss of reputation 6. Increased legal costs 7. Higher costs of debt 8.

Loss of investor confidence (lower stock price, difficulty in raising funds, problems with lenders) 9. Regulatory intrusion 10. Costs of bankruptcy 3. 4How Does Ethical Behavior Add Value? Better information a. Trust from investors b. Lower costs for audits, controls, investigations c. Better allocation of resources d. Customers will be more loyal e. Lower costs from suppliers f. Attracting and retaining better employees Fair competition g. Lowers cost of business in economy h. Leads to better decision-making (do what's best for firm, not one individual) i. Improves competitive nature of a country's economy

Just compensation j. Creates a more vibrant, entrepreneurial economy k. Attracts and retains better employees Rights of others l. Draws upon talents of wider set of individuals m. Develops long-term respect from the community n. Maintains the environment for long-term value to all 3. 5How Can Ethical Values be Taught? Level 1: The Foundation – Personal Ethical Understanding ? Concepts of right and wrong, fair play, respect for rights of others, honesty, personal integrity ? Best learned in the home at an early age – and follow-up is needed throughout life ? Institutions (churches,

schools, etc. can help ? Difficult to " back fill" in adulthood Level 2: Application to Business – Application of Ethics to Business Situations ? Can be taught in management education and organizations – provided students have a personal understanding of ethics ? Taught by modeling (cases and personal example are helpful) ? Can be reinforced by policies, codes of ethics, training ? Businesses can teach through proper modeling: " Companies also have to further strengthen ethics management and social responsibility activities to improve their public image'' – Korean Commerce-Industry-Energy Minister Lee Hee-beom.

Level 3: Ethical Courage ? It is not sufficient to simply understand ethical principles ? One must have the courage to pay a price for being ethical ? Examples can be helpful—case studies showing people willing to stand up for ethical principles ? Again, it helps to have " practiced" ethical behavior over many years—especially in small things Level 4: Ethical Leadership ? The ability and willingness to encourage others to behave ethically ? Can be taught through cases, problem solving, study of successful organizations ?

Developing an organizational climate that fosters ethical behavior ? Structuring policies that encourages ethics ? Behaving ethically while facing the pressures of leadership 3. 6Challenges of Teaching Ethics &Ethical DilemmaAs the twenty-first century approaches, companies face a variety of changes and challenges that will have a profound impact on organizational dynamics and performance. In many ways, these changes will decide who will survive and prosper into the next century and who will not. Among these challenges are the following: ? The challenge of international competition.

The challenge of new technologies. ? The challenge of increased quality. ? The challenge of employee motivation and commitment. ? The challenge of managing a diverse workforce. ? The challenge of ethical behavior. 3. 7Ethics and The Challenge Of Ethical Behavior The word " ethics" is often in the news these days. Ethics is a philosophical term derived from the Greek word " ethos" meaning character or custom. This definition is germane to effective leadership in organizations in that it connotes an organization code conveying moral integrity and consistent values in service to the public.

Certain organizations will commit themselves to a philosophy in a formal pronouncement of a Code of Ethics or Standards of Conduct. Having done so, the recorded idealism is distributed or shelved, and all too often that is that. Other organizations, however, will be concerned with aspects of ethics of greater specificity, usefulness, and consistency. Formally defined, ethical behavior is that which is morally accepted as " good" and " right" as opposed to " bad" or " wrong" in a particular setting. Is it ethical, for example, to pay a bribe to obtain a business contract in a foreign country?

Is it ethical to allow your company to withhold information that might discourage a job candidate from joining your organization? Is it ethical to ask someone to take a job you know will not be good for theircareerprogress? Is it ethical to do personal business on company time? The list of examples could go on and on. Despite one's initial inclinations in response to these questions, the major point of it all is to remind organizations that the public-at-large is demanding that government officials, managers, workers in general, and the organizations they represent all act according to high

ethical and moral tandards. The future will bring a renewed concern with maintaining high standards of ethical behavior in organizational transactions and in the workplace. Many executives, administrators, and social scientists see unethical behavior as a cancer working on the fabric of society in too many of today's organizations and beyond. Many are concerned that we face a crisis of ethics in the West that is undermining our competitive strength. This crisis involves business-people, government officials, customers, and employees. Especially worrisome is unethical behavior among employees at all levels of the organization.

For example, a recent study found that employees accounted for a higher percentage of retail thefts than did customers (Silverstein, 1989). The study estimated that one in every fifteen employees steals from his or her employer. In addition, we hear about illegal and unethical behavior on Wall Street, pension scandals in which disreputable executives gamble on risky business ventures with employees' retirement funds, companies that expose their workers to hazardous working conditions, and blatant favoritism in hiring and promotion practices.

Although such practices occur throughout the world, their presence nonetheless serves to remind us of the challenge facing organizations. This challenge is especially difficult because standards for what constitutes ethical behavior lie in a " grey zone" where clear-cut right-versus wrong answers may not always exist. As a result, sometimes unethical behavior is forced on organizations by the environment in which it exists and laws such as the Foreign Corruption Practices Act. For example, if you were a sales

representative for an American company abroad and your foreign competitors used bribes to get business, what would you do?

In the United States such behavior is illegal, yet it is perfectly acceptable in other countries. What is ethical here? Similarly, in many countries women are systematically discriminated against in the workplace; it is felt that their place is in the home. In the United States, again, this practice is illegal. If you ran an American company in one of these countries, would you hire women in important positions? If you did, your company might be isolated in the larger business community, and you might lose business.

If you did not, you might be violating what most Americans believe to be fair business practices. The effective management of ethical issues requires that organizations ensure that their managers and employees know how to deal with ethical issues in their everyday work lives. Therefore, organizational members must first understand some of the underlying reasons for the occurrence of unethical practices. 3. 8Unethical Behavior: Why Does It Occur In Organizations? The potential for individuals and organizations to behave unethically is limitless.

Unfortunately, this potential is too frequently realized. Consider, for example, how greed overtook concerns about human welfare when the Manville Corporation suppressed evidence that asbestos inhalation was killing its employees, or when Ford failed to correct a known defect that made its Pinto vulnerable to gas tank explosions following low speed rear-end collisions (Bucholz, I 989). One answer to the question of why individuals knowingly

commit unethical actions is based on the idea that organizations often reward behaviors that violate ethical standards.

Consider, for example, how many business executives are expected to deal in bribes and payoffs, despite the negative publicity and ambiguity of some laws, and how good corporate citizens who blow the whistle on organizational wrongdoing may fear being punished for their actions. Jansen and Von Glinow (1985) explain that organizations tend to develop counternorms, accepted organizational practices that are contrary to prevailing ethical standards. It is not too difficult to recognize how individuals can knowingly engage in unethical practices with such mentalities.

The overemphasis on short-term monetary gain and getting votes in the next election may lead to decisions and rationalizations that not only hurt individuals in the long run, but threaten the very existence of organizations themselves. Some common rationalizations used to justify unethical behavior are easily derived from Gellerman (1986): ? Pretending the behavior is not really unethical or illegal. ? Excusing the behavior by saying it's really in the organizations or your best interest. ? Assuming the behavior is okay because no one else would ever be expected to find out about it. Expecting your superiors to support and protect you if anything should go wrong. Rules, procedures, and other control mechanisms often lag behind growth of a firm, providing organizational members with an opportunity to behave illegally because no internal rules prescribe such behavior. Predisposition indicates a tendency or inclination to select certain activities--illegal ones--over activities because of socialization or other organizational processes. Baucus and Near

(1991) avoid the assumption that a firm's managers or agents subscribe to a different set of ethical standards than the rest of society.

Instead, they recognize that organizations, and industries, can exert a powerful influence on their members, even those who initially have fairly strong ethical standards. Certain industry cultures may predispose organizations to develop cultures that encourage their members to select unethical acts. If an organization's major competitors in an industry are performing well, in part as a result of unethical activities, it becomes difficult for organizational members to choose only unethical actions, and they may regard unethical actions as a standard of industry practice.

Such a scenario results in an organizational culture that serves as a strong precipitant to unethical actions. The next section looks at the organizational culture-ethical behavior relationship. The ethical climate of an organization is the shared set of understandings about what correct behavior is and how ethical issues will be handled. This climate sets the tone for decision making at all levels and in all circumstances. Some of the factors that may be emphasized in different ethical climates of organizations are (Hunt, 1991; Schneider and Rentsch, 1991): ?

Personal self-interest ? Company profit ? Operating efficiency ? Individual friendships ? Team interests ? Social responsibility ? Personal morality ? Rules and standard procedures ? Laws and professional codes Pressure, opportunity, and predisposition can all lead to unethical activities; however, organizations must still take a proactive stance to promote an ethical

climate. The final section provides some useful suggestions available to organizations for creating a more ethical climate. 3. 9Promoting an Ethical Climate: Some Suggestions and Strategies

Recent literature has suggested several strategies for promoting ethical behavior in organizations. (Adler and Bird, 1988; Burns, 1987; Harrington, 1991; Raelin, 1987; Stead etal. , 1990). 1. First, chief executives should encourage ethical consciousness in their organizations from the top down showing the support and care about ethical practices. 2. Second, formal processes should be used to support and reinforce ethical behavior. For example, internal regulation may involve the use of codes of corporate ethics, and the availability of appeals processes. 3.

Finally, it is recommended that the philosophies of top managers as well as immediate supervisors focus on the institutionalization of ethical norms and practices that are incorporated into all organizational levels. The philosophies of top managers as well as immediate supervisors represent a critical organizational factor influencing the ethical behavior of employees (Stead etal. , 1990). A seven-step checklist that organizations should use to help their employees in dealing with an ethical dilemma (Schermerhorn, 1989; Otten, 1986): 1. Recognize and clarify the dilemma. 2. Get all the possible facts. . List all your options. 4. Test each option by asking: " Is it legal? Is it right? Is it beneficial? " 5. Make your decision. 6. Double check your decision by asking: " How would I feel if my family found out about this? How would I feel if my decision was printed in the local newspaper? " 7. Take action. An effective organizational culture should encourage ethical behavior

and discourage unethical behavior. Admittedly, ethical behavior may " cost" the organization. An example might be the loss of sales when a multinational firm refuses to pay a bribe to secure business in a particular country.

Certainly, individuals might be reinforced for behaving unethically (particularly if they do not get caught). In a similar fashion, an organization might seem to gain from unethical actions. For example, a purchasing agent for a large corporation might be bribed to purchase all needed office supplies from a particular supplier. However, such gains are often short-term rather than long-term in nature. In the long run, an organization cannot operate if its prevailing culture and values are not congruent with those of society.

This is just as true as theobservationthat, in the long run, an organization cannot survive unless it produces goods and services that society wants and needs. Thus an organizational culture that promotes ethical behavior is not only more compatible with prevailing cultural values, but, in fact, makes good sense. Although much remains to be learned about why ethical behavior occurs in organizations and creating and maintaining organizational cultures that encourage ethical behavior, organizations can benefit from the following suggestions: ? Be realistic in setting values andgoalsregarding employment relationships.

Do not promise what the organization cannot deliver. ? Encourage input throughout the organization regarding appropriate values and practices for implementing the cultures. Choose values that represent the views of employees at all levels of the organization. ? Do not automatically opt for a "

strong" culture. Explore methods to provide for diversity and dissent, such as grievance or complaint mechanisms or other internal review procedures. ? Insure that a whistle-blowing and/or ethical concerns procedure is established for internal problem-solving (Harrington, 1991). Provide ethics training programs for all employees. These programs should explain the underlying ethical and legal (Drake and Drake, 1988) principles and present practical aspects of carrying our procedural guidelines. Understand that not all ethical situations are clear-cut. Like many basic business situations, the organization should recognize that there are ambiguous, grey areas where ethical tradeoffs may be necessary. More importantly, some situations have no simple solution (Cooke, 1991). ? Integrate ethical decision-making into the performance appraisal process. . 0THE CASE AGAINST BUSINESS ETHICS EDUCATION 4. 1The Milton Friedman Argument According to Milton Friedman's philosophy it states that the ethical duty of business people is to maximize profit. He also says in his philosophy that businesses should be concerned with stakeholders' wealth maximization which requires competency in their business. This means that they (business people) should study marketing, finance, and operations and should not waste time studying ethics. Freidman advances two main arguments for his position.

First that corporate executives and directors are not qualified to do anything other than maximize profit. Business people are experts at making money, not making social policy, and it is by making money, that they contribute to human welfare. They lack the perspective and training to address complex social problems, which should be left to government and social service

agencies The second argument which is rooted in Friedman's libertarian philosophy maintains that corporate officers have no right to do anything other than maximize profit. Corporate officers have no right to spend investors' money on social welfare.

Sole proprietors can spend the company's money the way they want, since it is their money, but fiduciaries and hired managers have no such privileges. If they want to contribute to social causes, they are free to donate as much of their own money as they please. In the first argument, determining just how far they should go in order to meet this goal is what business ethics is all about. Business ethics rather than social ethics in general is the required competency. Students concede to this in that once business ethics is distinguished from ethics in general simply collapses into the duty of maximizing profit under the law.

There are no specifically business related obligations than this and no training beyond business law and the traditional managerial skills is required. 4. 2The Argument from Incentives This argument begins with the familiar hypothesis that economic phenomena are best explained as resulting from the choices of utility maximizing, self interested individuals. Moral sentiments therefore play no significant role in economic life. Even if there are duties beyond profit maximization, the only way to encourage ethical behavior is to install financial and legal incentives.

Business People respond to these not ethics lectures. If business people behave ethically, it is only because financial inducements and legal sanctions

are properly calibrated, not because Kant or Aristotle inspired them to do the right thing. For example in the U. S. business scandals can only be addressed by such measures as regulatory reform, improved corporate governance, and removal of conflict of interest. Ethics instructions have no place in this picture. 4. 3The Gut Feeling Argument One cannot study ethics in a meaningful sense anyway, since it is something ou feel, not something you think about. Ethical judgment is seen as an essentially non-rational function that is tied to emotions and early childhood development. 4. 4The Moral Development Argument. Moral character is formed in early childhood, not while sitting in ethics class. By the time students enter business school, it is too late to change. One learns ethics from mom and dad, not from college professors. Moral character is fixed early in life. This does not imply that ethics instruction serves no useful purpose, since it can change behavior even if it doesn't change character.

The opponents of ethics education presumably concedes that finance, marketing and operations courses change behavior, but insist that ethics courses do not. Where is the evidence showing the ethics which directly deals with how one should behave, incapable of changing behavior? There are a number of reasons to suspect that ethics instructions can affect conduct without going as far as to change character. They are: ? It provides a language and conceptual framework with which one can talk and think about ethical issues. Its emphasis on case studies helps to make one aware of the potential consequences of ones actions. It presents ethical theories that help define what a valid ethical argument looks like. It teaches one to

make distinctions and avoid fallacies that are so common when people make decisions. ? It gives one an opportunity to think through, at ones leisure, complex ethical issues that are likely to arise later, when there is no time to think. 4. 5The motivational argument This final argument takes us into ethics the first class on the first day of the semester. Even if there is reason to study ethics, business students see no motivation to study it and do not take the subject seriously.

Many students object to ethics class with such animus as it is different from others as they say. The finance or marketing instructor enlightens them, but the ethics instructor preaches to them and some students do not want to be preached to, and so react negatively. Accordingly, it is seen that students say that their finance instructors do not try to convince them to make money as the lecturers know the students want to make money and so they tell them how to make the money as opposed to the ethics lecturers who assume that students want to be ethical and so tell them how to.

Some instructors have devised a number of strategies to overcome this issue. They convince students that ethical conduct is smart business, because they can " do well by doing good". They integrate discussion of ethical issues into courses students' regard as legitimate, such as finance and marketing. They bring in seasoned executives to talk about how ethics is a constant factor in their decision making. 5. 0CONCLUSION In conclusion, study of business ethics as an academic discipline is important to ensure that the managers are equipped with the tools and knowledge to undertake the ethical judgment about the organization business operations.

This study also enables the organization to work towards achieving its objectives it sets to achieve since the stakeholders who contribute to the organization's success will have more trust in the company to manage their interests in that organization. Even though ethical problems in organizations continue to greatly concern society, organizations, and individuals, the potential impact that organizational culture can have on ethical behavior has not really been explored (Hellreigel et al. , 1989). The challenge of ethical behavior must be met by organizations if they are truly concerned about survival and competitiveness.

What is needed in today's complicated times is for more organizations to step forward and operate with strong, positive, and ethical cultures. Organizations have to ensure that their employees know how to deal with ethical issues in their everyday work lives. As a result, when the ethical climate is clear and positive, everyone will know what is expected of them when inevitable ethical dilemmas occur. This can give employees the confidence to be on the lookout for unethical behavior and act with the understanding that what they are doing is considered correct and will be supported by top management and the entire organization.

REFERENCES 1. FERRELL, O. C. , FRAEDIRICH, J. & FERRELL, L. (2005). Business Ethics: Ethical Decision Making and Cases. Houghton Mifflin Company, U. S. A. 2. Hooker, J. (April 2003). Why Business Ethics? Carnegie Mellon University. 3. http://wpweb2. tepper. cmu. edu/ethics/whybizethics. pdf 4. http://construct. haifa. ac. il/~danielp/soc/sims. htm 5. http://changingminds. org/explanations/values/values_morals_ethics. htm 6.

Friedman, M (1970), " The Social Responsibility of Business Is To Increase Its Profits," New York Times Magazine (September 13). 7. http://en. wikipedia. org/wiki/Meta-ethics