

Framework for understanding development of business ethics assignment

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Figure 1 is an attempt to narrow and focus on our observations to typologies from an organizational perspective. Some definitions and discussion of this framework are necessary to properly interpret and provide a basic for the understanding of the historical advancements of business ethics. Normative decisions in an organizational culture relate to what can be, that is, what a business organization ought to consider in evaluating and improving their ethical conduct (Lacking and Murphy, 2006). Normative decisions are based on deontological and teleological norms.

Deontological norms involve hyper norms and local norms described by Donaldson and Dundee (1994) as integrative social contracts. In deontological evaluation, the decision maker evaluates the inherent rightness or wrongness of the behavior implied by ACH alternative (Hunt and Vital, 2006). Deontology assumes there is absolute fixed norm, or expected behavior, to resolve an ethical issue. The decision is compared to predetermined norms that could relate to honesty, fairness, and trust or other norms of behavior.

Teleological decisions are based on these four elements which are 1) perceived consequences at each decision for stakeholder groups, 2) probability that the consequences will occur to each stakeholder group, 3) desirability of each consequences, and the last is 4) importance of each stakeholder group (Hunt and Vittles, 2006). Teleology is often called consequentiality because individuals using teleology are basing decisions on philosophies, such as egoism and utilitarianism. Utilitarian believed that they are achieving the greatest benefit for all those affected by a decision.

Therefore, teleological decisions are based on flexible decisions based on the consequences or the benefit to history. Descriptive or positive perspective attempt to describes, explain, predict and understand business ethics activities and phenomena that actually exist (Hunt 1 991 In other words, a descriptive approach to business ethics examines what actually exists, not what organizations ought to do. In an organization, a descriptive perspective would examine policies on conflicts of interest, strategies, compliance systems and various artifacts of ethical standards in the organization.

In Figure 1, micro is referred to as the business ethics conduct of individuals units (organizations, business persons or individuals, such as an entrepreneur) while macro is referred to the impact of the business decisions on the various stakeholders in the society. The impact of the aggregation of organizations or the complete System Of micro decisions on stakeholders rates macro business ethics issues that are often addressed in public policy and the formal institutionalizing of business ethics through government (macro/descriptive).

Business Ethics before the sass Before 1 990, Business ethics was depends on one's perspective and objective in tracing the concept. In this chapter, we are tracing the history of business ethics from the viewpoint of the development of business organizations, as referred to in Figure 1. Ethics as a field of thought has existed in religion and philosophy for thousands of years and has been applied to business activities in the same way ethical values and norms have en applied to daily life. In history, Aristotle discussed economic activities, commerce and trade.

He makes normative judgments about greed, or the unnatural use of one's capabilities, in the pursuit of wealth for its own sake. He also provides the first recorded definition of justice and fair treatment of all parties in transaction (Aristotle, 2000; Disgorge, 2007). Fair treatment and justice have been a part of our social existence since the beginning of civilization. Key philosophies that built a foundation of business ethics include John Lockers classic defense of property as a natural right Adam

Smith, often identified as the founder of capitalism created the concept of the 'invisible hand' and wrote about self-interest, however, he went on to explain the "The common good is associated with values such as prosperity, prudence, reason, sentiment and promoting the happiness of mankind" (Smith, 2000). These values should be applied to all needs and concerns of stakeholders from a macro/normative perspective. Other contributors to the foundation of business ethics include John Stuart Mill (1863), Manual Kant (1889), and G. W. F. Hegel (1820).

These philosophers wrote on economic fairness, especially distributive justice Disgorge, 2007). Karl Marx deserves mention because he took an anti- capitalism position and claimed capitalism could be morally condemned because of exploitation. Possibly the philosophy that had the most impact on understanding the macro/normative area of business ethics was in the last fifty years is the contribution of John Rails (1 971 One of it is the Rails (1971) Difference Principle to maximize the minimum which holds that worst off position should be made as well off as possible.

It is discussed in the time period since the work of Rawls is linked to earlier philosophical discussions of distributive justice. The Different Principle

Although the Different Principle is based on egalitarianism, this alternative principle permits inequalities in the distribution of goods and services only if those inequalities benefit the worst-off members of society. This principle falls under Rawls (1971) proposed principles of justice: 1. Each person has an opportunity to a fully adequate set of equal basic rights, open to all participants; and in this scheme with equal opportunity guaranteed to bring fair value to all participants. . Social and economic inequalities are to satisfy two conditions : a) They are to be attached to positions and offices open to all under conditions of fair equality of opportunity and b) They also have to be to the greatest benefit of the least advantaged members of society (Rawls 1993, 5-6) This principle is unique because Rawls links the justice of outcomes to specific ethical principles. It can be used as a defense for public policy to prevent unfair competition. For example, a health care program to cover all of the children in a society would help in order to overcome inequalities associated with class and income.

This principle is connected to our discussion of stakeholder orientation in that it provides an ethical rationale or the problem of why organizations are obligated to consider claims of secondary stakeholders such as competitors, special interest groups and vulnerable consumers such as kids and the elderly. Before 1960, most of the contributors to business ethics were concerned about the macro/normative relationships of business and society. Only in the next fifty years we have seen an emerging interest in the micro/normative and micro/descriptive components of business ethics.

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Early Twentieth Century Interest in Business Ethics. Most of the contemporary timeliness, such as the Ethics Resource Centre Timeline (Figurer) trace the history of business ethics issues since 1960. Although we will be able to trace the history since 1960, it is appropriate to start by tracing the origins of business ethics thought over the past 100 years. The first managerial textbook on business ethics was *Business Ethics* by Frank Chapman Sharp and Philip D. Fox (1937). The preface starts off with the statement 'this book deals with the right and wrong of the transaction that take place in the competitive business world'.

Based on the research, this was the first textbook based on organizational ethical decision making from a Cicero and macro descriptive perspective, in the world not just in the United States. The chapter in this book provides evidence that many of the topics of concern today were also of interest nearly 70 years ago. Figure 2 Business Ethics Timeline 1960s-1980s
1960s-1980s: Environmental issues, Employee militancy (us vs. them), Bribery and illegal contracting practices, Unsafe work practices in third world countries.

Emerging technology issues: cyber crime, privacy
Employer/employee tensions
Human rights issues (forced labor, low wages, work environment)
Deceptive advertising
Increased corporate liability for personal damage
Intellectual property theft
Civil rights & race relation issues
Firms start practice of covering up not confronting issues
Financial fraud (savings & loan scandals)
International corruption
Changing work ethics
Drug use escalated
Federal Corrupt Practices Act passes (1977)
Compliance & legal to values

orientation Transparency issues arise Defense Industry Initiatives (1986)
Federal Sentencing Guidelines for Org. 1 991) Global Sullivan Principles
(1999) Serbians Solely Act (2002) UN Convention Against Corruption (2003)
Source: Ethics Resources Centre, " Business Ethics Timeline," www. Ethics.
Org/ sources/business -ethics-timeline. Asp, accessed October 2007

According to the history, the first true business ethics scholars to develop a textbook with the main focus on micro/descriptive concerns of business were Frank Chapman Sharp and his associate Philip G. Fox. Frank Chapman Sharp was a philosophy professor at the Sincerity of Wisconsin from 1 893 until his retirement in 1936.

This man taught what is believed to be the first business ethics course in the world of University of h, Visions 1913-14. Many of the first business ethics on their topics, such as marketing originated at the University of Wisconsin during the time period. Sharp makes it clear that his book does not deal with " social and economic reform", the focus was on " a small group of intimately related problems" With the problem the ultimate goal of " the discovery of what modes of positive action the spirit of fairness requires in its application to business life" (Sharp and Fox, 1937).

The book also focuses on issues that they relate to court decisions and points out that the law are not identical. Business Ethics: 1960-2008 This period (1960-2008) is selected to reflect almost fifty years of increasing interest and rapid change in business ethics. Also, this time period shaped the current managerial view of business ethics that is seen in global ethics programs in corporations.

We will focus especially on the discussion of development since the 1990 because this has been a critical period of time with respect to global ethics crises and public policy developments designed to institutionalize business ethics around the world. Academic Contribution to Business Ethics In the sass, the global interest in business ethics turned to causes. Most of these issues related to macro or social issues. Therefore, this period of time soused on macro/normative issues and even s much larger emphasis on macro/descriptive issues (Farrell, Freehand, and Farrell, 2008, p. 12).

Business ethics as an academic field emerged in the sass, with a few business ethics courses being taught (Disgorge, 2007). A number of philosophers entered the business field and the textbook contributions of Norman Bowie, *Ethical Theory and Business*, Thomas Donaldson and Patricia Warner, *Ethical Issues in Business: A Philosophical Perspective* and other early textbooks by philosophers emerged, including Richard Disgorge (1982) and Manuel Vasquez (2002). Most of these books focused on business ethics from a moral philosophy and macro/normative perspective but micro issues were also examined.

Most of these books focus on helping the individual with their ethical reasoning. As philosophers develop macro/normative foundation for business ethics, a number of business professors were developing micro/ descriptive research to understand organizational ethics (Farrell and Weaver, 1978: Farrell and Gresham, 1985). Ethical decisions making model evolved that linked normative and descriptive models. The Hunt and Vital (1986) normative/descriptive model provides the first comprehensive inter-

legislations between deontological and teleological ethical traditions linked to decision making in an organizational context (Hunt and Vital, 2006).

The Hunt and Vittles model starts when an individual encounters a situation and recognizes ethical content. The individual will have some idea of a limited number of potential solutions or alternatives; however, this subset of alternatives is not comprehensive. The individual then filters these alternatives courses of action through filters: a) 1) is this course of action “right” or “wrong”? 2) A series of questions are relevant here: a) what will impact be on stakeholders?) What is the probability these outcomes will occur for each stakeholder group? C) How good or bad would each consequence be?) How important are each of the stakeholder groups that could be impacted? An individual’s ethical judgments are a function of applying norms to each of the possible behaviors in light of the potential ‘impact on’ and importance of each stakeholder. There are several personal characteristics which will influence decision making. In addition, the organizational culture and social networks will influence the decision (Hunt and Vital, 2005). Additional ethical decision making models include Farrell ND Gresham (1985), Terrine (1 986), and Jones (1991).

While all of these models contributed new insights their major contribution was to provide a more concrete basic for micro/descriptive research in business ethics. All of these models position co-workers and peers as influencing the ethical decisions making process in an organizational context. As courses and textbooks were published in business ethics, the first managerial or micro/ descriptive book since Sharp and Fox (1937) was

Farrell and Frederica in 1990 (2008). This book defined business ethics as principles and standards that fine business ethics in the world of business practice.

Topics covered included ethical issues, ethical decisions making, and organizational culture and relationships and ethics programs. There was a major shift from the individual to the organization. The next major of micro/descriptive book on business ethics was Linda K. Terrine and Katherine Nelson (1995), *Managing Business Ethics: Straight Talk about How to Do It Right*. This book addressed ethical decision making ethical problems of managers, organizational culture as well as ethical and legal compliance from a managerial perspective. Both of those books continue to be among the most managerial focused books used in teaching business ethics.

During the sass, there were many centers of business ethics established in educational institutions (see [www. E- bushiness's. Com](http://www.E-business's.Com)). The leader and role model in centre activities and leadership in bridging business and academic interest was the Bentley College, Centre for Business Ethics in Boston, MA. This centre became a leader in helping practitioners with business ethics programs and helped establish the Ethics and Compliance Officer Association which today is the largest ethics organization for managers of ethics program in U. S.

There are many other organizations working globally to promote ethical conduct including the European Business Ethics Group, European Business Ethics Network, Ethical Corporation Europe, Australia Business Ethics Network, Business Ethics Institute of Malaysia, Business Ethics Network of <https://assignbuster.com/framework-for-understanding-development-of-business-ethics-assignment/>

Africa, Business Ethics Research Centre , Business Roundtable Institute of Corporate Ethics, Canadian Centre for Ethics Corporate policy, The Coax Round Table, The Coalition for Environmentally Responsible Economies, The Copenhagen Centre, Corporate Social Responsibility Europe, The European Business

Campaign on Consumer Social Responsibility, Global Sullivan Principles, Hong Kong Ethics Development Centre, Institute of Global Ethics, and International Business Ethics Network. Academic journals were established to publish both normative and descriptive research in business ethics. The Journal of Business Ethics was established in 1982, the Business Ethics Quarterly was established in 1991 and Business Ethics: A European Review was established 1992.

Other journals have evolved since then with many articles on business ethics also published in leading academic journals including functional areas such as marketing, management, accounting and finance. In addition, trade books and trade publications on business ethics are widely available. Defense Industry Initiatives In sass, the Defense Industry Initiative was the biggest impact on the practice of business ethics. Defense Industry on Business Ethics and Conduct (DID) was developed to guide corporate support for ethical product.

In 1986, there are eighteen defense contractors' drafted principles for guiding business ethics and conduct (Yecch, 1995). The organization has since grown to nearly fifty members. This effort established a method for cussing best practices and working tactics to link organizational practice and

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policy to Successful ethical compliance. The DID includes six principles were First, DID supports codes of conduct and their widespread distribution. These codes of conduct must be understandable and provide details on more substantive areas.

Second, member companies are expected to provide ethics training for their employees as well as continuous support between training periods. Third, defense contractors must create an open atmosphere in which employees feel comfortable reporting violations without fear of retribution. Fourth, companies need to perform extensive internal audits and develop effective internal reporting and voluntary disclosure plans. Fifth, DID insist that member companies preserve the integrity of the defense industry.

Finally, member companies must adopt a philosophy of public accountability (Hill, 1995). Most of the recommendations fall into the micro/descriptive area for organizational compliance standards. The Institutionalizing of Business Ethics By 1990, business ethics was well established as an academic discipline. On the other hand, this was the beginning of the rapid acceptance of business ethics in organizations. The first developments occurred in the sass, but the institutionalize of business ethics through the public policy moved rapidly through the sass and 20005.

Wide spread and highly visible organizational misconduct and scandals such as Enron, World in the United States and in Europe, Parallax (Italy) and Royal Old (Netherlands) have plagued global businesses. All four of these companies have engaged in massive accounting frauds to overstate their earnings and had operated unethical organizational cultures. Managers

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involved in channel stuffing, inventory shifting strategies, deceptive sales quenches, financial fraud and other schemes to inflate earnings.

Misconduct related to employees, suppliers and consumers created discussions about right and wrong, as well as the appropriate legal consequences. Organizational ethics programs in the U. S. Were developed in public corporations as ethics became more institutionalized by the Federal Sentencing Guidelines for Organizations, especially the 2004 amendment and the Sarbanes-Oxley Act (2002). These public policy approaches to institutionalizing represent a macro/descriptive approach to business ethics.

In Europe, the European Union has a strong Directive on Data Protection (1995) and anti-competitive legislation that is being strictly enforced to prevent price fixing. For example, British consumer affairs watchdog groups have triggered a government investigation of price fixing at food & package food firms including Procter & Gamble, Recruit Benefices, Mars, Milliner and Tests PL (Wall Street Journal, April 29, 2008). The Federal Sentencing Guidelines for Organizations (EGOS), approved by Congress in November 1991, set the tone for organizational ethical compliance programs in the sass.

The guidelines, which were based on the six principles of the DID, broke new ground by codifying into law incentives to reward organizations for taking action to prevent misconduct such as developing effective internal legal and ethical compliance programs (Conakry, 1995) Provisions in the guidelines mitigate penalties for businesses that strive to root out misconduct and established high ethical and legal standards (United States Code Service, 1995). On the other hand, under FOGS, if a company lacks an effective

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ethical compliance program and its employees violate the law, it can incur severe penalties.

The guidelines focus on firms taking action to prevent and detect business misconduct in cooperation with government regulation. At the heart of the FOGS is the carrot-and-stick approach: By taking preventive action against misconduct, a company may avoid onerous penalties should a violation occur. A mechanical approach using legalistic logic will not suffice to avert serious penalties. The company must develop corporate values, enforce its own code of ethics, and strive to prevent misconduct. In the sass, ethical and legal misconduct became more widespread on a global basis.

Issues such as financial mismanagement contributed to the Asian financial crisis. Reports of fraud in financial reporting and issues related to sexual executive greed with exorbitant pay packages associated with mergers and acquisitions. Pay was not effectively tied to performance and many non-performing Coos found themselves ousted and financially comfortable as a result of their lavish severance packages. In the sass, the interest in business ethics has increase rapidly. Such abuses increased public and political demands ethical standards in business.

Based on the survey of twenty thousand people across twenty countries, trust in global companies ha declined significantly (Farrell, Frederica, Farrell, 2008). To address the loss of confidence in financial reporting and corporate ethics, the U. S. Securities and Exchange Act of 1934. The new law made securities fraud a criminal offense and stiffened penalties for corporate fraud. It also created an accounting oversight broad that requires

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corporations to establish codes of ethics for financial reporting in order to develop greater transparency in financial reports to investors and other interested parties.

Additionally, the law requires top executives to sign off on their companies' financial position. The legislation further requires company executives to disclose stock sales immediately and prohibits companies from giving loans to top managers (CNN, 2002) The 2004 amendment to the FOGS requires that a business's governing authority be well informed about its ethics program with respect to content, implementation and effectiveness.