

MBA



SSI

Learning Outcomes

- What is Business Ethics?
- Why should we study Business Ethics?
- A Few Moral & Ethical Questions
- A Few Examples
- Inter-governmental Institutions
- Research/ Monitoring Oriented Institutions
- HBR: The 8 Principles

Business Ethics

- Business ethics is the application of ethical values, such as integrity, fairness, respect and openness, to business behaviour (Institute of Business Ethics)
- It relates to all activities of a company, from how it develops, produces and delivers its products and services, to its interactions with its customers, suppliers, employees and wider society. Embedding these values and being seen to do so has become increasingly important to overall business success.

Why Study Business Ethics?

- Business decisions are under great scrutiny
- Global financial crisis created diminished stakeholder trust
- Deals with questions about whether practices are acceptable
- No universally-accepted approach for resolving issues
- Affects Organisational Reputation/Image
- Could be used as a Competitive Advantage

Why Study Business Ethics?

- Reports of unethical behavior are on the rise
- Society's evaluation of right or wrong affects its ability to achieve its business goals
- Studying business ethics is a response to government policies and stakeholder demands for ethical initiatives
- Individual ethics alone is not sufficient
- Studying business ethics helps identify ethical issues to key stakeholders

Ethical Issues in Global Business

- Outsourcing
- Working Standards & Conditions
- Workplace Diversity & Equal Opportunity
- Child Labour
- Trust & Integrity
- Supervisory Oversight
- Human Rights
- Religion
- The Political Arena
- The Environment
- Bribery & Corruption
- Fiscal & Monetary Reporting Systems
- Culture

Declining Consumer Trust

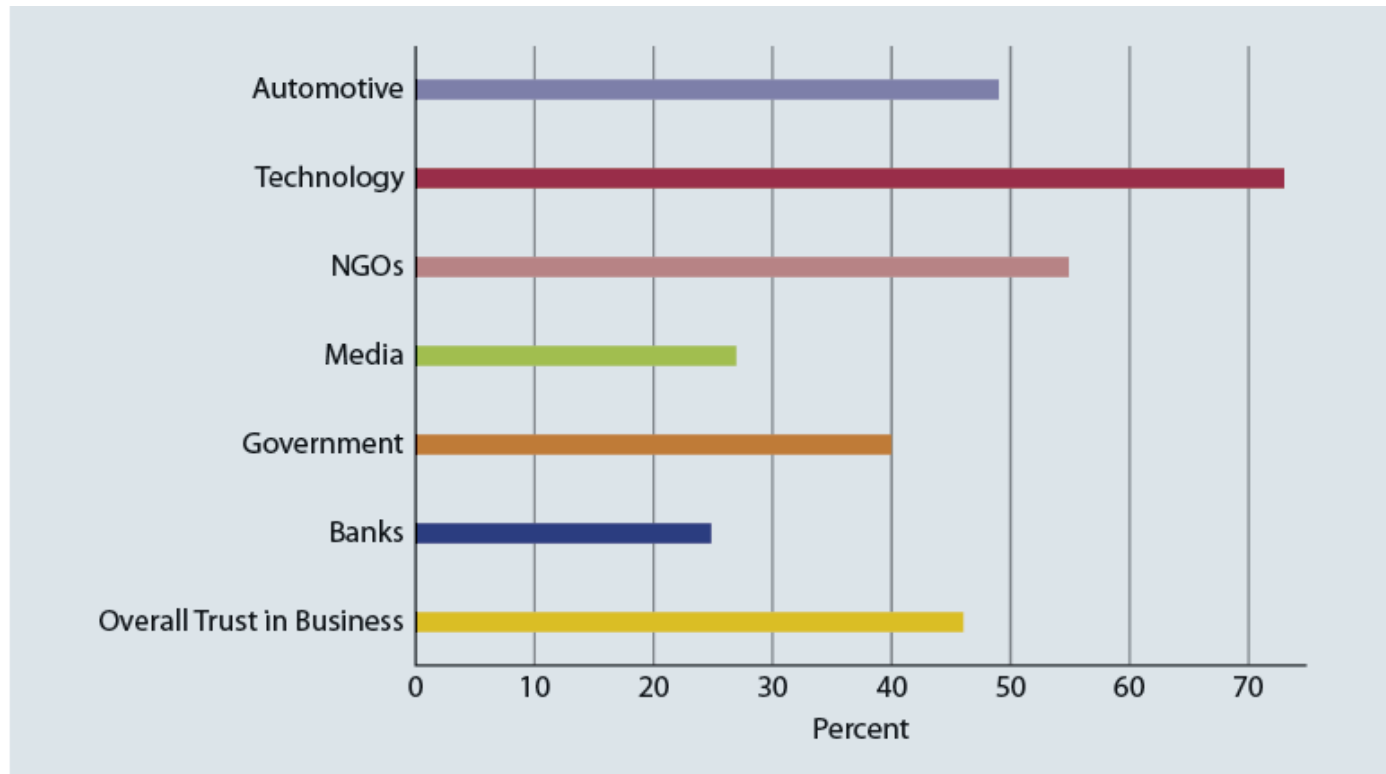
- Stakeholders determine what is ethical/unethical
- Investors
- Employees
- Customers
- Interest groups
- Legal system
- Community

Specific Issues

- Misuse of company resources
- Abusive behavior
- Harassment
- Accounting fraud
- Conflicts of interest
- Defective products
- Bribery
- Employee theft

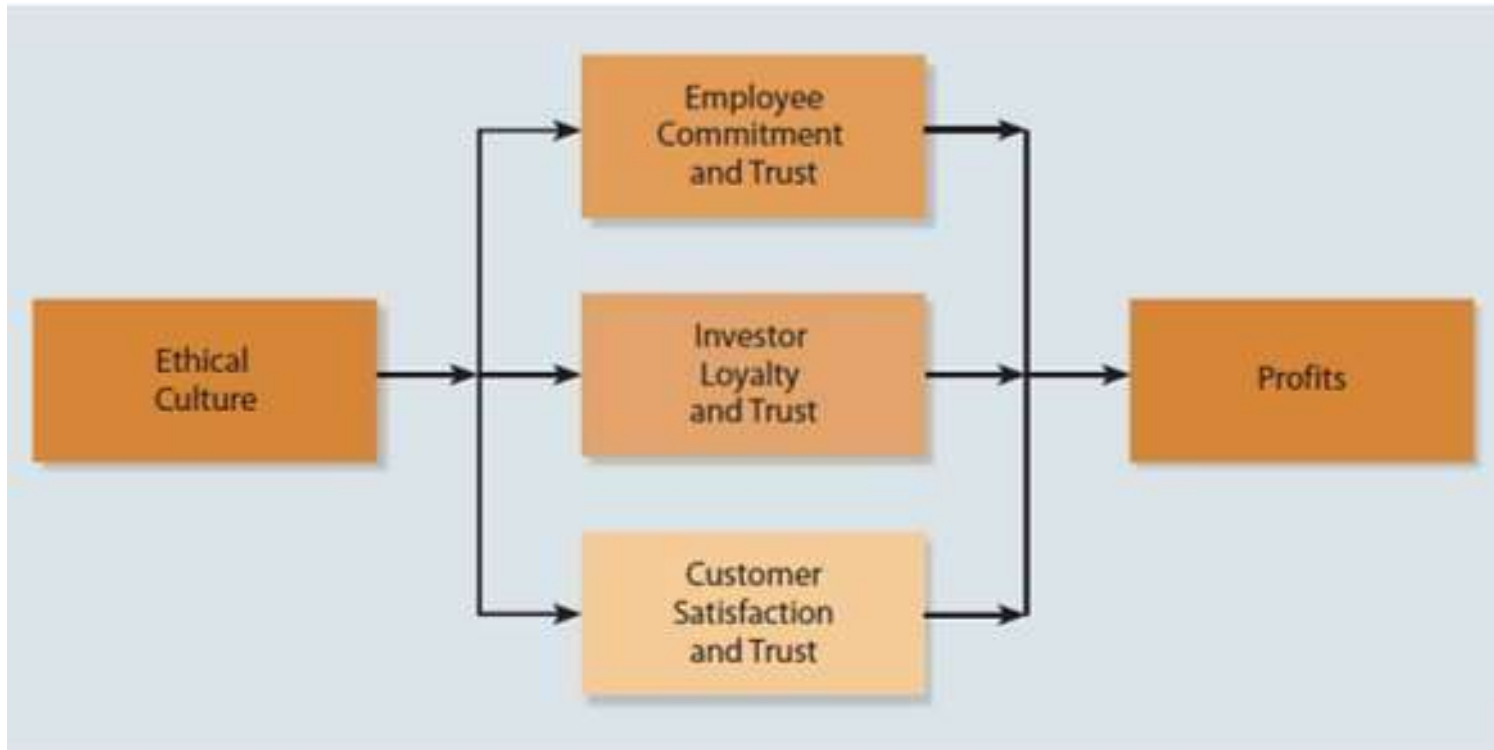
Americans' Trust in Business Sectors

(% of respondents who say they trust the following business categories)



Source: "2011 Edelman Trust Barometer Findings," Edelman Trust Barometer, <http://www.edelman.com/trust/2011/uploads/Edelman%20Trust%20Barometer%20Global%20Deck.pdf> (accessed February 15, 2011).

The Role of Organizational Ethics in Performance



A Timeline of Ethical and Socially Responsible Concerns

1960s	1970s	1980s	1990s	2000s
Environmental issues	Employee militancy	Bribes and illegal contracting prices	Sweatshops and unsafe working conditions in third-world countries	Cybercrime
Civil rights issues	Human rights issues	Influence peddling	Rising corporate liability for persona damages (for example, cigarette companies)	Financial misconduct
Increasing employee-employer tension	Covering up rather than correcting issues	Deceptive advertising	Financial mismanagement and fraud	Global issues, Chinese product safety
Changing work ethic	Disadvantaged consumers	Financial fraud (for example, savings and loan scandal)	Organizational ethical misconduct	Sustainability
Rising drug use	Transparency issues			Intellectual property theft

Financial Scams in Philippines

- FrancSwiss (2007)
- Legacy Group (2009)
- Aman Future (2012)
- Emgoldex (2015)
- Ponzi schemes in Mindanao (Kapa and Rigen)
- NBI...National Bureau of Investigation

Apple:2013 Report

- Everyone wants an iPhone and no one really cares if it were made by tiny child slaves who are forced to work in dangerous conditions, inhaling cancerous vapours, for 10 hours a day, seven days a week. And that is why Apple continues to be so profitable.
- But as beautiful as their products are, the production side of their business is a dark, horrific and unethical one. Apple manufacturer **Foxconn** is like hell on earth. Conditions at this plant are so miserable that “anti-suicide nets” had to be installed beneath the windows after a whopping 17 employees leapt to their deaths in protests of the horrific things they had to endure on a daily basis.
- Living quarters are like tiny college dorms in a gigantic beehive type factory, each crammed with crappy bunk beds. Exhausting hours, humiliating discipline, unreasonable workloads, and pressure to reduce overtime resulting in lower pay checks are just some of the crappy conditions faced by thousands of Foxconn employees on a daily basis.
- The controversy began in 2006 and is still happening today. And while Apple has made efforts to branch out and use some different manufacturers to produce their products, unethical Foxconn is still their go-to company.
- Besides using Foxconn, Apple co-founder Steve Wozniak claimed that Apple was engaging in unethical tax practices by utilizing an Irish tax loophole to avoid paying billions in taxes on international sales.

Walmart, Philip Morris & Enron

- Walmart: Predatory Pricing, Poor care of Employees & No Unions Allowed
- Philip Morris: Kids Friendly Cigarettes?
- Enron: Too much focus on Stock Prices?

Classic Examples

- In 1972, Ray Kroc, **McDonald's** founder made a rare donation of \$250,000 to Nixon's reelection campaign and in return got a favorable legislation that allowed companies such as McDonald's to pay teenage employees 20 percent less than federal minimum wages. (McDonald's Legislation)

—- the basic rights of teenage employees cannot be guaranteed.

Classic Examples

- **McDonald's** also doesn't allow employees to unionize, and in one instance where workers at St. Hubert Quebec did form a union, the company closed down the unit promptly.
 - employees' right of defending their benefits and claims lost.

Classic Examples

- Activists of London Greenpeace alleged that **McDonald's** promoted Third World poverty, sold unhealthy food, exploited workers and children, tortured animals, and destroyed the Amazon rain forest.
- lots of unethical behavior lead McDonald's to be sued.

Classic Examples

- **Microsoft**
- The tech company and its employees donate over \$1 billion yearly to charities and non-profit organizations. If that wasn't enough, Microsoft's management and employee's have also decided to tackle America's IT professionals shortage through its **TEALS program**. Through the TEALS program, Microsoft employees are encouraged to volunteer at local schools to instruct students in computer science, in the hopes that it will inspire them to enter the technology industry. It's only natural that Microsoft employees would be generous people; in addition to being among the highest paid employees in America, they also enjoy a plethora of perks, including 100% coverage on their health care premiums.

Classic Example

- **Google** : Don't be Evil
- Through its Google Green Program, the company has donated over \$1 billion to renewable energy projects
- has decreased its own footprint by using energy efficient buildings and public transportation.
- is also a staunch advocate of free speech, which can be observed from its frequent conflicts with the Chinese government

Classic Example

- **Salesforce.com**
- Philanthropy and good practices.
- Through its Salesforce.com Foundation, the company has donated millions of dollars toward education grants and technology, and even discounts its services to non-profit organizations.
- The company also encourages its employees to get into the action by giving them six days off per year to do any type of charitable work they choose.
- Salesforce.com frequently ranks highly on lists of companies offering the best salaries and hourly rates for employees.

NAFTA

- **KEY POINTS**

- The North American Free Trade Agreement (NAFTA) is an agreement signed by the governments of Canada, Mexico, and the United States, creating a trilateral trade bloc in North America.
- NAFTA came into effect on January 1, 1994 and superseded the Canada – United States Free Trade Agreement.
- Within 10 years of the implementation of NAFTA, all U.S.-Mexico tariffs are to be eliminated except for some U.S. agricultural exports to Mexico which will be phased out within 15 years.
- Most U.S. – Canada trade was duty free before NAFTA.
- NAFTA also seeks to eliminate non-tariff trade barriers and to protect the intellectual property right of the products.

The European Union (EU)

- The **EU** is the world's largest **trading bloc**, and second largest economy, after the USA. ... The five largest Economies, Germany, France, the United Kingdom, Italy and Spain, account for around 70% of the 28-country **trading bloc**.

- Brexit... 27 Now!

MERCOSUR & GCC

- Argentina, Brazil, Paraguay, Uruguay and Venezuela are full members, Bolivia, Chile, Colombia, Ecuador and Peru have associate member status, with Bolivia becoming an accessing member in December 2012.
- Gulf Cooperation Council

UN Global Compact, WTO

- The United Nations Global Compact is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation (New York)
- The World Trade Organization is an intergovernmental organization that is concerned with the regulation of international trade between nations (Geneva)

Institutions

- Ethics Institute of East Africa (Ethicea)
- Australian Association for Professional & Applied Ethics (AAPAE)
- European Corporate Governance Institute
- Canadian Centre for Ethics & Corporate Policy
- Centre for Applied Ethics, Hong Kong

Quick Guidelines: HBR

- The Fiduciary Principle (Diligence, Loyalty).
- The Property Principle (Protection, Theft).
- The Reliability Principle (Contracts Premises, Commitments).
- The Transparency Principle (Truthfulness, Deception, Disclosure, Candor, Objectivity).
- The Dignity Principle (Respect for the Individual, Health and Safety, Privacy and Confidentiality, Use of Force, Association & Expression, Learning & Development, Employment Security).
- The Fairness Principle (Fair Dealing, Fair Treatment, Fair Competition, Fair Process).
- The Citizenship Principle (Law & Regulation, Public Goods, Cooperation with Authorities, Political Noninvolvement, Civic Contribution).
- The Responsiveness Principle (Addressing Concerns, Public Involvement).