

# Ethics and Governance

## Lecture 1

### Ethics:

- Study and identifications of the behaviours, actions and standards that we as humans ought to pursue to obtain a good life.
- Involves the assessment of moral standards
- There is a distinction between what one ‘ought’ to do and what ‘is’ the most acceptable thing to do. There is a need to distinguish ethical claims from factual ones.
- The assessment of moral standards.
- Developed actively through the use of experience and theories.
- Attempts to provide systematic answer to the fundamental ethical question: How should human beings live their lives?
- Seek to provide a rational justification for why we should act and decide in a particular way.
- Should not suffer the predicament of relativism: That is ethics should be universal which is why the sourcing of ethics from religion can be counterproductive. Actions prescribed by one religion may be forbidden by another.

### Morality:

- Reflects a person’s or groups standards of right and wrong.
- Usually developed passively

### Minimum Conception of Morality: Two Criteria (Rachels 1993)

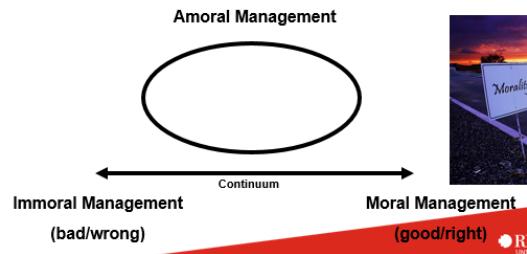
- **Reason:** A moral decision is based on reasons that are acceptable to other rational persons.
- **Impartiality:** The interests of all those affected by a moral decision are take into account

### Business Ethics

- The principles, norms and standards of conduct governing an individual or group in work situations (Trevino & Nelson 2006)
- Factors that influence business ethics include the level of development of a country, individual characteristics, and issue intensity.

### Models of Management Morality:

- Immoral Management: devoid of ethical principles and active opposition to what is ethical
- Moral Management: High Standards of ethical behaviour
- Amoral Management: Intentional – does not consider ethical factors  
Unintentional – careless about ethical considerations in business.



### Ethical Organisations

- Organisation culture promotes the appropriate ethical behaviours among all

- Employees prefer to work in these organisations
- It is the duty of management to ensure ethical behaviours.

### **Corporate Governance**

- The internal means by which corporations are operated and controlled (Cadbury, 1992)
- A set of relationships between a company's management, its board, its shareholders and its stakeholders (OECD, 2004)
- It is the relationship among various participants in determining the direction and performance of corporations (Monks and Minow, 2001)

## Lecture 2

### Normative Theories

#### Moral Philosophy:

- Provides prescriptions
- Provides justifications that are applicable to all people (Hartman & Desjardins, 2008)
- Concerned with the individual

#### Moral Agency: An agent in ethical theory is – (De George, 1992)

- Any entity that acts and is subject to ethical rules
- A rational being
- Not an agent for anyone or anything else. Is self-governing.
- A moral agents actions can be evaluated in moral terms.
- The central concept of moral agency is moral responsibility
- A moral agent needs to be rational and autonomous (have the right to choose an action)
- Young children are not considered moral agents.

#### Virtue and Moral Agency: A good human being possesses two core virtues (MacIntyre, 1999)

1. Integrity: to have educated oneself so that one is unable to be one kind of person in one social context while quite another one in other contexts.
2. Constancy: to pursue the same goods through extended periods of time.

#### Moral Responsibility: You are morally responsible when-

- You knowingly and freely performed the act
- Knowingly and freely failed to prevent the act
- You possessed all the relevant information

#### Ethical Principles in Principle-agent Relationships: (De Gorge, 1992)

- An agent acts on behalf of the principle
- An agent is not allowed to do what the principles are not ethically allowed to do.
- Agents cannot exonerate themselves for unethical actions. They are responsible for their actions whether they are under command or on behalf of another.
- The principle is morally responsible for the actions of their agents.

#### Moral Philosophy:



### **Utilitarianism:**

- Making decisions that promote the greatest overall amount of good in the world
- Maximises good consequences over bad consequences for the greatest number of people.
- Rule Utilitarianism: Examine the consequences of having everyone follow a particular rule and calculate the overall utility of accepting and rejecting the rule.
- Act Utilitarianism: Examine the consequences of each individual act and calculate the utility the utility each time the act is performed.
- Too much focus on ethical ends can lead to ignoring moral consideration of the means
- Consequences are hard to measure.
- The rights of some stakeholders can be ignored and hence we can be willing to sacrifice the good of individuals for the greater overall good.
- This can violate the fundamental ethical principles of justice equality and respect.
- You can sacrifice your own integrity for the greater good which is counter to the virtue and moral agency theory posed by MacIntyre 1999
- Better consequences are those that promote human well-being: the happiness, health, dignity, integrity, freedom, and respect of all people affected (Counter to Kantism)
- It's about valuating the alternatives for all those parties involved by the decision.
- Free and competitive markets are the best way to achieve utilitarian goals. To do this policies need to encourage a deregulated private industry, protected property rights, allow for free exchanges and encourage competition.
- Business' should pursue profits to ensure that scarce resources go to those who most value them and thereby insures these resources will provide optimal overall satisfaction.
- Utilitarian policy is conflicted between a market (invisible hand) approach and a regulatory (government) approach. Where the regulatory approach would say improperly assembled goods can be dangerous and therefore should be banned for the greatest wellbeing good, the market approach says those goods should be sold for a lower price to people willing to take on the potential risk for greater financial wellbeing.

### **Virtue Ethics:**

- A moral virtue is an acquired dispositions that is value as a part of an individual's character. (Ferrell et al. 2005)
- Focuses on the integrity of the moral actor rather than the act
- Character is defined by one's community hence questionable community views may influence ethical compass.
- Seeks a full and detailed description of those character traits or virtues that would constitute a good and full human life.
- Decisions are made based on the self, which is identical to the persons most fundamental and enduring dispositions, attitudes, values and beliefs.
- Involves the internal conflict between self-interest and altruism(Regarding others rather than self-regarding)
- Ethical people are those whose actions are not based on egoism as it simply does not factor into their decision making.
- In the business world we need to assess our practises based on the type of people these practises are creating.