

## Ethics and Governance

### Week 1: introduction to ethics

**Ethics** is fundamentally concerned with the assessment of moral standards; notions of right and wrong, good and bad.

- Not all decisions involve ethics, but can be extended to when you think about how the decision impacts others
- Ethics is fundamentally about putting ideas (values) into practice

#### Ethics VS. Morality

- ❑ Morality reflects a person's or group's standards of right and wrong. Moral understanding is usually developed passively.
- ❑ Ethics is the assessment of moral standards. Ethics is developed actively – through the use of theories and experience.

**Business ethics:** The principles, norms, and standards of conduct governing an individual or group in work situations

- Ethics is directly concerned with human interaction and behaviour. It therefore has relevance to the way people behave in organisations.
- Factors that influence business ethics include the stage of development of a country, individual characteristics, issue intensity, and

#### Moral awareness

-being aware that a decision has moral substance

#### The minimum conception of morality

- 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 taken into account

#### Law and ethics

Law establishes minimum standards

Ethics extends beyond legal domain

Can be legal but not ethical- eg. Slave labour

Can be illegal but ethical- eg. Euthanasia (turning off life support)

#### Management morality models:

##### Immoral Management

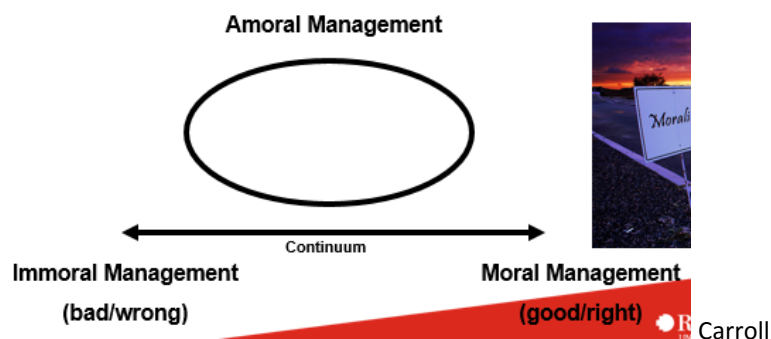
- Devoid of ethical principles and active opposition to what is ethical.

##### Moral Management

- high standards of ethical behavior.

##### Amoral Management

- Intentional - does not consider ethical factors
- Unintentional - casual or careless about ethical considerations in business
- Business and ethics don't go together



#### Ethics in an organization

- ☐ One whereby the organization culture promotes the appropriate ethical behaviours among all
- ☐ Unethical behaviours include bribery, theft, discrimination, harassment, deception and endangerment
- ☐ Responsibility for ensuring an organization has ethical standards is a duty of management

**Corporate governance-** Corporate governance is an internal relationship by which corporations are operated and controlled. Responsibilities of the board.

#### Review questions

- ☐ What are the differences between immoral and amoral management (Carroll, 2001)?
- ☐ What are the differences between intentional and unintentional amoral management (Carroll, 2001)?
- ☐ Why is ethics important in business? Management is responsible for promoting ethics (Gatsby)
- ☐ How should an organisation deal with an activity that is legal but unethical?
- ☐ What is corporate governance and who are the main internal actors involved in governance of a firm? What role(s) do they play?

#### Week 2- normative theories

- ☐ Define moral philosophy, moral agency and moral responsibility
- ☐ Discuss the two normative ethical theories/perspectives (moral philosophy) – consequential/teleological and non-consequential/deontological
- ☐ Compare and contrast each of the normative ethical theories

#### Moral philosophy

- ☐ Philosophers provides prescriptions i.e. tells us what we should/ought to do, how we should live our life and resolve ethical dilemmas
- ☐ Provides justifications that are applicable to all people (unlike theological ethics) (Hartman & Desjardins, 2008)
- ☐ Tried to remove ethics from religion. Is primarily concerned with the individual person, not social groups such as business organisations. There were no businesses back then.

#### Moral agency

- ☐ An agent in ethical theory (De George, 1992):
  - ☐ is any entity that acts and is subject to ethical rules,
  - ☐ is a rational being, and
  - ☐ is not an agent for anyone or anything else (e.g. once an agent accepts an ethical theory, he will be self-governing himself and hence will act in his best interests and no one/anything will influence his actions.)
- ☐ A moral agent's actions and acts can be evaluated in moral terms.
- ☐ Moral agents have moral responsibility i.e. we can hold a moral agent morally accountable for his/her behaviour/actions
- ☐ A moral agent needs to be rational (know what is right and wrong) and autonomous (have the right to choose an action)
- ☐ Young children are not considered moral agents (advertising to children is unethical- eg McDonalds)

#### Moral responsibilities

- ☐ Morally responsible when:-
  - ☐ knowingly & freely performed the act
  - ☐ knowingly & freely failed to prevent the act
  - ☐ telling someone else to kill someone- still responsible
- ☐ NOT morally responsible if:-
  - ☐ did not possess all relevant information
  - ☐ were unable to prevent the act
- ☐ Relativism – actions relative to culture

#### Ethical principles in principal-agent relationships

- ☐ An agent acts for/represents a principal (owner)

- ☐ Agents are not ethically allowed to do what the principals are not ethically allowed to do.
- ☐ Agents cannot exonerate themselves for unethical actions. Agents are responsible for the actions they perform, whether they are under command or on behalf for another.
- ☐ The principal is morally responsible for the actions of their agents. Agency involves the delegation of authority but not the complete delegation of responsibility.
- ☐ If owner principle tells agent to kill someone, agent is responsible

**Moral philosophy: Three perspectives**

<u>Teleological</u>  (Egoism) Utilitarianism  <u>Consequence based</u>	<u>Deontological</u>  Kantian ethics Justice ethics  <u>Non-consequential</u> <u>Duty based</u>	<u>Virtue ethics</u>  Virtue ethics
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**Utilitarianism:** concerned with making decisions that promote greatest overall amount of good in the world.