Learning Objectives

Upon completion of this unit, students should be able to:

1. Analyze the foundation of ethical theory and the history of business ethics.
2. Analyze the ethical framework needed for decision making.
3. Identify the global business standards used in ethics.
4. Examine the deontological frameworks of business ethics.
5. Examine the teleological frameworks of business ethics.
6. Identify and discuss the myths related to business ethics.
7. Analyze the three simple ethical tests established by the Institute of Business Ethics.
8. Discuss the ethical cycle of business ethics.
9. Assess the dynamics of rationalizing unethical behavior.

Unit Summary

Business ethics has become a popular discipline in colleges and universities over the last few decades. This popularity has now translated to the boardroom and down the corporate ladder where corporations have made it commonplace to communicate its ethical stance and policy to all stakeholders in the ethical chain.

Every individual must have a moral and ethical foundation from which to make ethical decisions. Every individual has certain values (whether he/she knows it or not) on which he/she base his/her decision-making. Business ethics can be described as the collective values of all involved in the corporate decision-making process or those who share in decisions made by the corporation.

Ethical behavior of individuals has been categorized, and a variety of categories have been developed to enunciate the ethical decision-making process of the individual. The process of individual ethical decision making is important because it affects the collective decision making process of the corporation.

Scholars have developed a global business standard framework from which to evaluate the conduct of companies. Eight ethical principles have been developed to assist in determining the conduct of companies: Fiduciary Principle, Property Principle, Reliability Principle, Transparency Principle, Dignity Principle, Fairness Principle, Citizenship Principle, and Responsiveness Principle. Each satisfies a particular element in order to establish a global business standard for the proper conduct of companies.

Integrity plays a large role in personal and business ethics. There are some simple rules of thumb to evaluate and gauge an individual’s integrity: publicity test, the trusted friend, the reciprocity test, the Golden Rule, and the universality test. Each test evaluates an individual’s personal integrity.
There are certain specific behaviors that indicate “high integrity.” Humility, a concern for the “greater good,” being truthful, fulfilling one’s commitments, fairness, taking responsibility, respect for others, celebrating the good fortune of others, and forgiving others are all character traits that exhibit high integrity.

One of the pressing issues in business ethics is the ability to use ethical decision making to build character. Furthermore, ethical managers are able to make their own rules relating to acceptable behavior within a corporation. However, an issue still exists since everyone is not self-aware. Every individual views the world from his/her own experience and world view; therefore, it can be argued that individuals may not always view the same actions as unethical or wrong. This may create some problems within the corporation. Managers and employees must be able to understand the impact of their decisions and how their decisions affect others. Ethics training assists employees in a further understanding of the ethical dilemmas facing a corporation and its employees.

Many people and corporations will attempt to rationalize their behavior. Proper ethics training and corporate transparency will assist in decreasing unethical conduct within a corporation. Corporations will engage in “self-monitoring” to detect ethical violations within a company. A company’s reputation translates to its “good will,” and, clearly, company stakeholders have a vested interest in the good will of the company. It is important that corporate managers strive to achieve ethical behavior across the board in the company. Corporations must make resources available to their managers so they can train employees in ethical decision making as well.