THE GLOBAL MOVEMENT FOR BUSINESS ETHICS

Managing and Teaching Business Ethics: Global Trends and Challenges
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Topics

1. **History of attention to business ethics**

2. **The concerns of business ethics today**

3. **The challenges of doing global business ethics**

History: Traditional attention to business behavior

- **1890s – Catholic Social Teaching begins with Rerum Novarem; critique of both capitalism and socialism**

- **1900s – Associations of Catholic and Christian business persons develop in many countries**

- **1950s and 1960s – Concern for power of colonial transnational companies over economies of developing countries, power of elites in some countries**

History: Business Ethics emerges in U.S.

1960s – First interest in product safety, chemical contamination, clean air and water (sustainability)

1972 - Illegal political contributions to Nixon reelection campaign

1975 – Participation by US companies in global corruption

1978 - U.S. Foreign Corrupt Practices Act (FCPA)

1979 - Business ethics courses at major secular business schools

1980s – Social investment movement begins; negative to positive

1986 – Defense Industry scandals lead to industry code/systems

1991 – U.S. Sentencing Guidelines reward ethics/compliance programs

1990s to today - Ethics management systems expand quickly

History: Business Ethics emerges in U.S.

1991 – U.S. Sentencing Guidelines reward ethics/compliance programs

2002 – Enron, etc. – Sarbanes Oxley Act

1990s to today - Ethics management systems expand quickly

2008 – Mortgage Securities Scandals – Dodd-Frank Act

2015 – Domestic Scandals – General Motors, Wells Fargo Bank

2017 – Impact of President Trump disdain for ethical standards??

History: Business Ethics goes global

- **1980s – European and other business schools add ethics courses**

- **1980s and 1990s – National academic associations for business ethics form**

- **1980s – Case of South Africa forces debate on corporate ethical policy; cooperation with Apartheid**

- **1990s – Growing concern for global corruption – Transparency International formed; OECD Convention on Corruption; World Bank studies**

- **1990s – Global supply chains raise significant issues**

- **1990s and 2000s – Proliferation of voluntary global codes**

History: Business Ethics goes global, cont.

- **2000 – United Nations Global Compact launched – 10 principles**

- **2008 – Global Financial Crisis – ethics of global financial system**

- **2010 – U.K. AntiBribery Act adopted – extraterritorial application**

- **2011 – U.N. Ruggie Principles on Business & Human Rights adopted**

- **2010s – National requirements for CSR reporting – India, China, etc.**

- **2010s – New national laws on corruption, sustainability, codes, etc.**

- **2010s – Statements of Pope Francis on capitalism and the market**

- **Recent – Notable global scandals: Siemens, GSK, Volkswagen**

Concerns of Business Ethics Today

1. **Corruption and bribery**

2. **Treatment of workers – safety, wages, fair treatment**

3. **Treatment of customers – disclosure, product safety, product quality, fair treatment**

4. **Human rights and business**

5. **Environmental sustainability**

6. **Influence of business on government**

7. **Big data and internet – intrusiveness, privacy**

8. **Integrity of Governance**

9. **Systems to manage behavior**

Institutional Systems to Manage Business Ethics and Behavior

- **Codes of conduct – compliance rules**

- **Mission and values statement – possibly ethics**

- **Ethics training – general and role based**

- **Reporting systems – anonymous, no retaliation**

- **Investigative systems**

- **Ethical culture – evaluation and management**

- **Executive and senior manager behavior and leadership**

- **Oversight and governance by board; board education**

Globalization Reshapes the Landscape of Business Ethics

- **Emergence of a truly global economy**

- **First world participation in local corruption and bribery**

- **Social impact of huge global enterprises; political power**

- **Development of extensive supply chains**

- **Emergence of developing world global enterprises**

- **Global engagement of state-owned enterprises**

Challenges of Global Business Ethics

- **Defining global standards of business ethics – what room for local norms and values**

- **Defining ethical values of companies – whose values? Just compliance with law?**

- **Profits and shareholder primacy vs. ethics**

- **Implementing values and standards in global enterprise with employees from multiple cultures**

- **Competition from enterprises that are less ethical**

Unique Moment for Business Ethics

- **Media makes business behaviors known immediately**

- **Activists empowered by internet, cell phone cameras, Twitter**

- **Acute awareness of climate change and sustainability threat**

- **Abdication of national leadership on critical questions such as ethics and environment**

- **Articulate voice of Pope Francis on sustainability, business ethics**

- **Emerging capabilities of big data as opportunity and threat**

- **Coming revolution of artificial Intelligence and robotics**

- **Challenge to <u>business executives</u> how to respond, how to define and manage ethics in their organizations**

- **Challenge to <u>academics</u> how to teach business ethics to the next generation of business leaders**

What is ethics?

- **Ethics is about *relationships* – how one ought to behave toward stakeholders**

- **Ethics is about the responsibilities of the *role* you are in and the *mission* you have committed to**

- **Ethics is often about how to *balance* the obligations to multiple stakeholders**

Ethics is…..

- **Different from law, regulations, & compliance**
  - Legal standards govern the *minimum* behavior
  - Ethical standards define the *desired* behavior
  - Legal standards address behaviors with *bright line rules*
  - Ethical standards address behaviors with *often difficult tradeoffs*
  - Ethical standards address behaviors which *cannot* be reduced to bright line rules

Ethics is…..

- **About standards of behavior which serve the *human welfare* of stakeholders*.***

- **Business ethics is about standards of behavior for *companies and for individual business persons***

Ethics is…..

- *But what serves human welfare? 5 approaches:*

  - **Benefits/Harms to all**
  - **Rights and duties**
  - **Justice and fairness**
  - **Common good of community**
  - **Virtuous behavior**

Ethical questions at three levels…..

- ## *System level*
  - *E.g. Should companies be allowed to engage in political action? Should marketers be permitted to call cell phones?*

- ## *Organizational level*
  - *E.g. Should a company fire an executive for small scale cheating on expense reports? Should a company always label a product as remanufactured?*

- ## *Individual level*
  - *E.g. Should an employee blow the whistle on her own company? Should an employee "estimate" a number rather than calculate it in a government report?*
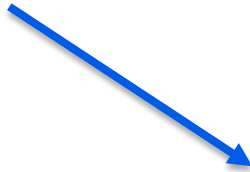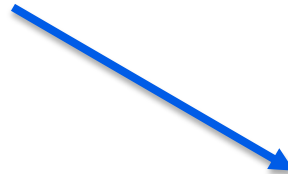
Ethics is….

- **About preparing <u>yourself</u>, your <u>organization</u>, your <u>society</u> to make good ethical choices.**

- *You – shaping your personal character.*

- *Your organization – creating an ethical culture; writing good policies; insuring organization makes good ethical choices*

- *Your society – adopting fair laws, fair procedures; creating informal norms*

ROLE

STAKEHOLDERS

OBLIGATIONS

DECISIONS
& CHOICES

Ethics is about making good ethical choices….

Ethical Decision Model

1. Recognize an Ethical Issue

   - Can someone be harmed?

   - Will my decision advantage some?

   - Is this a choice between two bad options?

   - Is the truth being hidden from someone?

   - Do I have very specific obligations here?

   - Is this a case that can't tolerate less than 100%?

   - Will this decision be of great interest to some?

2. Is this issue about more than just what is legal?

3. What are the facts of the case?

Ethical Decision Model

4.   What individuals or groups have an important stake in this decision?

5.   What are my options?

6.   Evaluate the options by 5 questions:

- Which option produces the most <u>good</u> and <u>least</u> harm?
- Which option best respects the <u>rights</u> of all who are affected?
- Which option best treats people <u>equally</u> or <u>fairly</u>?
- Which option best serves the <u>community</u> as a whole, the <u>common good</u>?
- Which option leads me to act as the kind of <u>person I want to be, a virtuous person</u>?

Ethical Decision Model

7. Considering all these concerns, which option is best?

8. Test your solution by asking: If I told someone I respect what I am going to do, how would they react?

9. How can I implement my decision in the most competent and compassionate way?

10. What can I learn from this decision and process that will help me the next time?

Ethical Decision Model and detailed explanation at https://www.scu.edu/ethics/ethics-resources/ethical-decision-making/a-framework-for-ethical-decision-making/

Ethical Decision Model as an *App* available on both the App Store and at Google Play.