Emerging Business Ethics Issues
Recognizing an Ethical Issue

• An **ethical issue** is a situation or a problem that requires thought, discussion, or investigation to make a decision
  – New ethical issues are emerging constantly
  – Can be difficult to recognize ethical issues
• Failure to do so puts corporations at great risk
  – A problem in industries where winning perceived to be a game to be won at all costs

Source: Triangle Images
## Specific Types of Observed Misconduct

<table>
<thead>
<tr>
<th>Misconduct</th>
<th>2009</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Resource Abuse</td>
<td>23%</td>
<td>N/A</td>
</tr>
<tr>
<td>Abusive behavior</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Lying to employees</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Email or internet abuse</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Conflicts of interest</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>Discrimination</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Lying to stakeholders</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Employee benefit violations</td>
<td>11%</td>
<td>N/A</td>
</tr>
<tr>
<td>Health or safety violations</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Employee privacy breach</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Improper hiring practices</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Falsifying time or expenses</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Poor product quality</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Stealing</td>
<td>9%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Honesty

- **Honesty**: Truthfulness or trustworthiness
- **Dishonesty**: A lack of integrity, incomplete disclosure, or an unwillingness to tell the truth
  - Issues related to honesty can arise when people begin to perceive business as something that has its own rules
Fairness and Integrity

• **Fairness**: The quality of being just, equitable, and impartial
  – **Equality**: How wealth or income is distributed
  – **Reciprocity**: Occurs when an action that has a positive effect upon someone else is reciprocated
  – **Optimization**: The tradeoff between equity and efficiency

• **Integrity**: One of the most important terms regarding virtue. It means uncompromising adherence to ethical values
Ethical Issues and Dilemmas in Business

- An **ethical issue** is a problem or opportunity that requires an individual or group to choose among actions that are evaluated as ethical or unethical.

- An **ethical dilemma** is a problem, situation, or opportunity that requires an individual or group to choose among several wrong or unethical actions.

Source: Flying Colours Ltd.
Abusive or Intimidating Behavior

• One of the most common ethical problems
• Can mean anything from physical threats, false accusations (), profanity, insults, harshness, ignoring someone, or even unreasonableness
  – Intent is important in determining abuse
• *Bullying* is a growing legal problem in the workplace
### Actions Associated with Bullies

1. Spreading rumors to damage others
2. Blocking others’ communication in the workplace
3. Flaunting status or authority to take advantage of others
4. Discrediting others’ ideas and opinions
5. Use of e-mails to demean others
6. Failing to communicate or return communication
7. Insults, yelling, and shouting
8. Using terminology to discriminate by gender, race, or age
9. Using eye or body language to hurt others or their reputation
10. Taking credit for others’ work or ideas
Lying

- Three types of lies:
  1. Joking without malice
  2. *Commission lying* is creating a false perception by choosing words that intentionally deceive the receiver
     - Creating *noise*
  3. *Omission lying* is intentionally not informing channel members of problems, related to product that affects awareness, intention, or behavior
Conflicts of Interest

- Exist when an individual must choose whether to advance his or her own personal interests, those of the organization, or some other group
  - Individual must separate personal interests from business dealings
  - *Bribery* is a significant concern
Bribery

- **Bribery** is the practice of offering something in order to gain an illicit advantage
- Different types of bribery
  - *Active bribery*
  - *Passive bribery*
- *Facilitation payments*: are legal as long as they are small
Corporate Intelligence

- **Corporate intelligence** is the collection and analysis of information on:
  - Markets
  - Technologies
  - Customers and competitors
  - Socioeconomic and external political trends

Source: Triangle Images
Corporate Intelligence

- Hacking
  - System hacking
  - Remote hacking
  - Physical hacking
- Dumpster diving
- Whacking
- Phone eavesdropping
- Social engineering
- Password guessing
- Shoulder surfing

Source: Digital Vision
Discrimination

- **Discrimination** is illegal in the U.S.
- A company in the U.S. can be sued for discrimination if it:
  - Refuses to hire an individual for discriminatory reasons
  - Unreasonably excludes an individual from employment
  - Unreasonably discharges an individual
  - Discriminates against an individual with respect to hiring, employment terms, promotion, or privileges
Discrimination

- Equal Employment Opportunity Commission (EEOC)
- Age discrimination
- The Age Discrimination in Employment Act
- Affirmative action programs
  - Efforts to recruit, hire, train and promote qualified individuals from groups that have traditionally been discriminated against based on race, gender, or other characteristics
Sexual Harassment

- A repeated, unwanted behavior of a sexual nature perpetrated upon one individual by another
- **Hostile Work Environment**
  - The conduct was unwelcome
  - The conduct was severe, pervasive, and regarded by the claimant as so hostile or offensive as to alter his or her conditions of employment
  - The conduct was such that a reasonable person would find it hostile or offensive
Dual Relationship

- Key ethical issue in sexual harassment
- **Dual relationship**: A personal, loving, and/or sexual relationship with someone with whom you share professional responsibilities
- **Unethical dual relationship**: The relationship causes a conflict of interest or impairment of professional judgment
To Avoid Sexual Misconduct, a Firm Needs:

1. Statement of policy
2. Definition of sexual harassment
3. Non-retaliation policy
4. Specific procedures for prevention
5. Establish, enforce, and encourage victims to report
6. Establish a reporting procedure
7. Timely reporting requirements to the proper authorities
Consumers’ Favorite Green Practices

![Bar Chart]

- Recycling: 40%
- Buying renewable energy: 28%
- Using greener transportation: 19%
- Selecting minimal packaging: 7%

Source: “Environmentally Friendly Choices,” USA Today Snapshots, March 3, 2009, from Green Seal and Enviromedia Social Marketing survey of 1,000 adults by Opinion Research Corp.
Environmental Issues

• The environment is a significant and growing issue in business

• The **Kyoto Protocol**: An international treaty on climate change that commits nations to reducing greenhouse gas emissions

• **Water pollution**: Results from dumping sewage and toxic chemicals in places where they can filter into water supplies

• **Green energy** sources are perceived to have lower emissions or waste than traditional ones
What Consumers Think About ‘Green’ Products

- 56% think they cost more
- 44% think they are right things to buy
- 35% think they are good to learn more about
- 25% think they should be questioned

Source: 2009 Green Home Furnishings Consumer Study, World Market Center Las Vegas and the Sustainable Furnishings Council
Fraud

• Any purposeful communication that deceives, manipulates, or conceals facts in order to create a false impression is fraud

• Accounting fraud
  – Misrepresentation of company’s financial reports
  – Sarbanes-Oxley Act sought to improve this
  – 2008-2009 Wall Street financial meltdown and recession revealed continuing problems
Marketing Fraud

- The process of committing fraud in the creating, distributing, promoting and pricing products
- Can be hard to distinguish between fraud and puffery, which is exaggerated advertising claims, blustering and boasting
- **Implied falsity** means that an advertising message has a tendency to mislead, confuse, or deceive the public
- **Literally false** claims can be divided into *tests prove* and *bald assertions* (non-establishment claims)
Consumer Fraud

- When consumers attempt to deceive businesses for personal gain
  - *Collusion* involves an employee who helps a consumer commit fraud
  - *Duplicity* involves a consumer duping a store
  - *Guile* is associated with a person who uses tricks to obtain an unfair advantage
Financial Misconduct

- The failure to understand manage ethical risks played a key part in the financial meltdown and recession of 2008-2009
  - Many firms rewarded risk-taking
- Illegal insider trading is the buying or selling of stocks by insiders who possess material that is still not public

Source: © Mark Karrass/Corbis
Intellectual Property Rights and Privacy

• **Intellectual Property Rights** involve the legal protection of intellectual properties, such as music, books, and movies
  – Can be difficult to monitor/enforce internationally
• Many **privacy issues** in the business world
  – Employee use of technology
  – Consumer privacy
  – It can be a challenge for businesses today to meet the needs of consumers while protecting their privacy
The Challenge of Determining Ethical Issues in Business

- Most ethical issues will become visible through stakeholder concerns about an event, activity, or the results of a business decision.
- Determining ethical issues is a challenge.
  - Changing societal standards over time.
- The ethical decision making process starts when ethical issue awareness occurs and individuals begin discussion.