EDUPRISTINE

Empowering Professionals

Business Ethics

Moral Philosophies and Values

Ethics is a field of moral philosophy that studies accepted concepts of right and wrong and ideas of what people ought to do versus what people are required to do. Business ethics includes duties to the entity and other stakeholders in economic settings. Ethical behaviour and management integrity in the context of business ethics are by-products of corporate culture and attitudes toward corporate social responsibility.

Business Ethics (Cont)

Business ethics addresses the moral features of commercial activity and includes duties of entities and individuals regarding:

- Rules for the fair exchange between two parties, including:
    - Legal compliance (what behaviours are required).
    - Application of traditional ethical theories (what behaviours we ought to practice).
- Societal, institutional, and cultural rules of commerce, including:
    - Moral beliefs of people in business settings.
    - Best practices in commercial transactions and business behaviour.
    - Worker participation in management.
    - Theories of justice.
- Internal policies of corporations, focused on the responsibilities of directors and employees
    - Rules and expectations concerning corporate social responsibility.
    - Accountability of business behaviours to corporate decisions (eg: entity organizational charts)

Morality and Virtue

The study of ethics is deeply bound to concepts of morality and virtue. Virtue relates to goodness (eg: virtuous behaviour), whereas morals relate to ethics and principles of conduct. Morality frequently has virtue or goodness as an objective.

Values serve as the foundation for moral standards that drive rules of conduct. Morality defines what we are required to do based on virtues that prescribe what we ought to do.

Moral Philosophy: Defined

Moral philosophy is the branch of philosophy concerned with ethics. Through a systematic thought process, the field of ethics analyzes the ideas of, and the distinctions between, right and wrong and then recommends ideas, rules, or behaviours that represent ethical behaviour.

Ethics is traditionally organized into three major areas:

❑ **Meta Ethics**: The highest level of the study of ethics; the study of where our ethical principles come from.

❑ **Normative Ethics**: The study of moral standards or principles that define right and wrong.

❑ **Applied Ethics**: The study of the application of ethical concepts to specific issues and rules of conduct.

Source: Becker Professional Education Corporation

Ethical Decision Making

Moral Philosophies:

The concept of moral philosophy described below represent different positions or approaches within normative ethics.

❑ **Teleology**: Teleology states that the final goal or outcome is something's purpose. Teleology is concerned with how decisions or actions might affect a desired moral outcome. Aristotle asserted that the purpose of the seed is the plant. Under teleology, a businessperson might assert that the purpose of a sale is profit. Using this moral philosophy, ethical considerations in the business process might be subordinated to the achievement of the profit itself.

❑ **Utilitarianism**: Utilitarianism, or consequentialism, adapts the concepts of teleology by defining the most ethical goal as the greater good for as many as possible. The ends justify the means but may result in immoral actions to achieve the ends. When a utilitarian philosophy is used, profitability and shareholder value might be increased as a result of bribes paid to foreign officials. A good result is achieved for many, but immoral methods are used.

Source: Becker Professional Education Corporation

Ethical Decision Making (Cont)

❑ **Deontology:** Deontology is an ethical approach that focuses on duty or obligation. The morality of actions is independent of any end goal. Ethical behaviour is defined in deontology by rules. A company may seek to maximize profits and the value of its firm but may find its product is faulty or endangers lives. If deontology is a guiding philosophy, the company may subordinate its focus on profitability to fulfil its duty to replace defective products at an increased cost.

❑ **Relativism**: Relativism rejects the idea of universal truths associated with individual actions or end objectives, and evaluates moral behaviour in the context of history, culture, or some specific standpoint. A company may focus on increased profit and increasing the value of its shareholders' value and does so without regard to environmental impact (air and water pollution, etc). Relativism might assert that although this behaviour is certainly wrong today, the same behaviours in the 1880s, when environmental impacts were either unknown or ignored, was well within expectations for moral behaviour.

Ethical Decision Making (Cont)

❑ **Virtue Ethics**: The application of moral values to both outcomes and methods is the defining feature of virtue ethics. The end goal is established to achieve the greatest good for the greatest number, but the decisions to achieve that goal are aligned with virtues such as prudence, justice, fortitude, and temperance. A company might seek to achieve profits and increase the value of the firm but would do so within the context of what is both required (legal compliance) and what should morally be done.

❑ **Justice**: Justice, or moral justice, equates one's ethical behaviour towards others based on their choices and actions. A company seeks to maximize profits and shareholder value. The company sells products with a warranty and some customers subsequently file warranty claims. Warranties are deemed void in certain circumstances (such as tampering with the product or allowing the warranty period to expire). If, for example, a one-year warranty expired before the customer reported the defect to the company, the company applies the theory of justice to deny the warranty claim based on the customer's behaviour.

Pass Key

The differences between approaches in moral philosophy may be summarized as follows:

Moral Philosophy	Standards for Actions	Standards for Outcomes
• Teleology • Utilitarianism • Deontology • Relativism • Virtue ethics • Justice	No specific standard No specific standard Duties or requirements Evaluated in context Virtuous Responsive to actions of others	Virtuous Virtuous for the greatest good No specific standard Evaluated in context Virtuous Fairness/uniformity of response

Ethical Concepts

Ethical decision making is influenced by ethical concepts including fairness, integrity, due diligence, and fiduciary responsibility. Each of these concepts contributes to the foundation that guides the principles of ethical decision making beyond compliance with rules of conduct.

❑ **Fairness**: The concept of fairness represents the uniform application of rules, standards, and criteria in similar circumstances.

Purchasing departments' policies require requests for quotes in excess of certain dollar thresholds. The requests for quotes include specifications, submission deadlines, and other relevant data for potential vendors to respond. The purpose of the rules is to ensure fairness in purchasing decisions.

Source: Becker Professional Education Corporation

Ethical Concepts (Cont)

- **Integrity:** Integrity is understanding, accepting, and choosing to act in accordance with principles of virtue that include honesty and fairness. Whereas ethics are external, integrity is internal. Integrity links ethics and moral action. Although the actual attribution to a specific author is unclear, integrity has been defined as "doing the right thing, even when no one is looking".

Businesses demonstrate integrity by keeping promises to customers, employees, and stakeholders. Integrity is demonstrated by ensuring an outstanding customer experience before the sale and providing the goods and services promised after the sale.

Management and organizations demonstrate integrity to employees by keeping promises regarding employee benefits, workplace quality, and career opportunities.

Source: Becker Professional Education Corporation

Ethical Concepts (Cont)

❑ **Due Diligence:** Organizations and individuals practicing due diligence will discharge their responsibilities with competence and rigor. While good faith acceptance of the work of others is appropriate, verification establishes a basis for the reliance on the work of others; such verification is foundational to ethical conduct.

❑ **Fiduciary Responsibility:** A fiduciary responsibility is a duty to act solely in the interest of another party. Professionals must act in the best interest of their clients. Trustees must manage assets in the best interest of the trust or its beneficiaries. Failure to honour fiduciary responsibilities by either a lack of due diligence or by deliberate intent is a breach of ethics and a breach of the contract between the fiduciary and the other party.

Source: Becker Professional Education Corporation

Ethical Principles and Practice

❑ **Principles:** Standards are deeply influenced by ethical principles of honesty, fairness, objectivity, and responsibility. Members must adhere to these principles and encourage others to follow those principles.

❑ **Standards**: IMA members have a responsibility to uphold and comply with the supporting standards associated with ethical principles as follows:

• **Competence**: IMA members' commitment to competence is demonstrated by lifelong learning, diligent adherence to legal and technical requirements, and reporting accurate and timely information that is clear, concise, and useful in managing risk.

• **Confidentiality**: IMA members must maintain information as confidential unless otherwise authorized or legally required. Members must inform relevant parties regarding the appropriate use of confidential information and must avoid the use of information for personal gain.

Source: Becker Professional Education Corporation

Ethical Principles and Practice (Cont)

❑ **Integrity:** The IMA members' commitment to integrity includes a duty to mitigate actual conflicts of interest and to avoid the appearance of conflicts of interest. Members must refrain from conduct that would prejudice these duties, abstaining from acts discreditable to the profession and placing personal integrity above personal interest.

❑ **Credibility**: Communication of information must be fair and objective and must provide all relevant information that could reasonably be expected to influence decisions (eg: members must understand and apply concepts of materiality). Delays or deficiencies in information must be reported in conformance with organizational policy or law, and any professional limitations that would prevent successful performance of duties must be disclosed.

Source: Becker Professional Education Corporation

Responses to Unethical Behaviour

IMA members must actively seek to resolve unethical issues or behaviours. If a member encounters unethical behaviour as described by the IMA Statement of Ethical Professional Practice, the IMA recommends a two-step response to be performed in sequence as follows:

1) The initial response to unethical behaviour is to ascertain the existence of established policies, including anonymous reporting options, and take appropriate action as provided by those mechanisms.

2) If no policies for a response to unethical behaviour exist, the following courses of action (in order) should be considered:

- Bring the unethical behaviour to the attention of the immediate supervisor.

- If the immediate supervisor is involved, the next-level manager should be notified and consulted.

- Contact the IMA help line for guidance

- Consult with a personal attorney.

- Resign

Source: Becker Professional Education Corporation

Responses to Unethical Behaviour (Cont)

Specific resolutions to ethical issues will depend on the participants and circumstances. Correction of behaviour, revisions of actions, and other changes that bring individuals and organizations in line with ethical requirements are positive resolutions. Resignation or reporting of possible unethical or illegal behaviours to regulatory authorities or law enforcement are less desirable but may be necessary.

Source: Becker Professional Education Corporation

EDUPRISTINE
Empowering Professionals

Thank You!

For queries, write to us at: care@edupristine.com