#### LESSON

#### What are Ethics?

**Ethics** are the guiding principles by which people make decisions and live their lives. Individual behaviour is often judged as right or wrong, honest or dishonest, fair or unfair, and ethical or unethical. Ethics are much more than just following the law. Business ethics are a system of moral principles that guide the behaviour of organizations in both their strategy formulation and day-to-day operations. Business ethics affect the relationships with the organization’s various stakeholders, i.e. suppliers, employees, customers, and communities. A **stakeholder** is any person, group, or organization who may be affected by the activities of another organization.

#### Ethical Behaviour

Why should managers behave ethically? Why do businesses expect their manager to make ethical decisions?  
  
(1) Society expects and wants businesses to act responsibly.  
(2) Businesses wish to avoid lawsuits, or criminal consequences, and unethical behaviour.  
(3) It may improve the public image of the business and lead to increased sales.  
(4) It may create a better overall environment for all to enjoy.  
(5) Voluntarily making the “right choice” may be a preventative measure and avoid an increase in government regulation.  
(6) An increase in employee and community pride may lead to less employee turnover.

#### Ethical Dilemmas

An ethical dilemma arises where a manager is faced with a situation that offers a potential gain or benefit; but choosing to pursue the situation may be considered unfair, wrong, or dishonest. There are many areas where ethical dilemmas arise.  Here are four categories of common ethical dilemmas in business.

(1) **human resource issues**, e.g. discrimination in hiring or promotion, harassment  
(2) **customer safety issues**, e.g. unsafe products and services to gain profits  
(3) **conflict of interest issues**, e.g. bribery or kickback in return for making a decision favourable to the giver  
(4) **use of corporate resources**, e.g. employee using business assets for personal gain, business interest superseding Aboriginal land claims, and environmentally irresponsible choices

#### ****Framework for Solving an Ethical Dilemma****

When faced with an ethical dilemma, there are some basics questions that a manager should ask him/herself.

(1) What are the ethical issues?  
(2) Who are the stakeholders? What are the responsibilities and obligations of the parties involved?  
(3) Can I identify alternatives and weigh impact of each alternative on stakeholders?  
(4) What is the best and most ethical alternative?

#### Code of Ethics

A **code of ethics** communicates the purpose, values, and objectives of a business and outlines expected behaviour for employees. Large corporations almost always have a formal, written code of ethics (or code of conduct).

**Questions:**

1. What are ethics?
2. What is a stakeholder?
3. Why should managers behave ethically? Why do businesses expect their manager to make ethical decisions? (List four)
4. What is an ethical dilemma? What four areas can they occur?
5. What is the framework for solving an ethical dilemma?

**CLA Activity #4: Cases on Ethical Issues and Dilemmas**

**Instruction:**

1. **Read** both of the following case studies.
2. Choose **one of the two cases** and **write** a brief summary of the article.
3. Review information on Ethics, Ethical Behaviour, Ethical Dilemmas, and Code of Ethics.
4. Choose one of the two cases and **complete** the questions. Answers must be type-written in complete sentences. Ensure that you are using business vocabularies.

**Exemplar:**

|  |
| --- |
| **Summary of Article**  .  .  .  . |
| **Answers:** |

**Attachment 11 Business Ethics Case Studies: *Whistle Blowing and the Environment* and *The Polluter’s Dilemma*** © Chris MacDonald

**Business Ethics Case Studies**

**Whistleblowing and the Environment: The Case of Avco Environmental**

Chantale Leroux works as a clerk for Avco Environmental Services, a small toxicwaste

disposal company. The company has a contract to dispose medical waste from a local hospital.

During the course of her work, Chantale comes across documents that suggest

that Avco actually disposed of some of this medical waste in a local municipal

landfill. Chantale is shocked. She knows this practice is illegal. Even though only

a small portion of the medical waste that Avco handles is being disposed of in

this way, any amount at all seems a worrisome threat to public health.

Chantale gathers together the appropriate documents and takes them to her

immediate superior, Dave Lamb. Dave says, "Look, I don't think that sort of thing

is your concern or mine. We're in charge of recordkeeping, not making decisions

about where this stuff gets dumped. I suggest you drop it."

The next day, Chantale decides to go one step further, and talk to Angela van

Wilgenburg, the company's Operations Manager. Angela is clearly irritated.

Angela says, "This isn't your concern. Look, these are the sorts of cost cutting

moves that let a little company like ours compete with our giant competitors.

Besides, everyone knows that the regulations in this area are overly cautious.

There's no real danger to anyone from the tiny amount of medical waste that

'slips' into the municipal dump. I consider this matter closed."

Chantale considers her situation. The message from her superiors is loud and

clear. She strongly suspects that making further noises about this issue could

jeopardize her job. Further, she generally has faith in the company's

management. They've always seemed like honest, trustworthy people. But she is

troubled by this apparent disregard for public safety. On the other hand, she asks

herself whether maybe Angela is right in arguing that the danger is minimal.

Chantale looks up the phone number of an old friend who worked for the local

newspaper.

**Questions for Discussion:**

1. What should Chantale do?

2. What are the reasonable limits on loyalty to one's employer?

3. Would it make a difference if Chantale had a position of greater authority?

4. Would it make a difference if Chantale had scientific expertise?

**Business Ethics Case Studies:**

**The Polluter's Dilemma**

Jonica Gunson is the environmental compliance manager for a small plastics

manufacturing company. She is currently faced with the decision whether or not to

spend money on new technology that will reduce the level of a particular toxin in the

wastewater that flows out the back of the factory and into a lake.

The factory's emission levels are already within legal limits. However, Jonica knows that

environmental regulations for this particular toxin are lagging behind scientific evidence.

In fact, a scientist from the university recently quoted in the newspaper stated that if

emission levels stayed at this level, the fish in the lakes and rivers in the area might

soon be declared unsafe for human consumption. Further, if companies in the region don't engage in some self regulation on this issue, there is reason to fear that the government may force companies to begin using the new technology, and may also begin requiring monthly emission level reports. These tests would be both expensive and time consuming.

The company's environmental compliance budget is tight. Asking for this new

technology to be installed would put Jonica's department overbudget,

and could jeopardize the company's ability to show a profit this year.

**Questions for Discussion**

1. What motives would the company have to install the new technology?

2. What motives would the company have to delay installing the new technology?

3. Why might the companies in this region prefer for the government to impose new

regulations?

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The events and persons in case are entirely fictional. Any similarity to real persons or companies is purely

accidental, though hopefully instructive.

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