FROM ETHICAL FOUNDATION TO ADDRESSING STAKEHOLDER NEEDS

1 THE FOUNDATION OF ETHICAL THOUGHT

CHAPTER OBJECTIVES

After reading and studying Chapter 1, students should be able to

1.1 Define the terms *ethics* and *business ethics*.

1.2 Explain the role of moral values in business ethics.

1.3 Describe the different types of ethical examinations and frameworks.

1.4 Discuss the teleological ethical frameworks presenting an example of each.

1.5 Discuss the deontological ethical frameworks presenting an example of each.

1.6 Compare and contrast the seven guiding principles to the seven deadly sins and their relationship to ethical behavior.

1.7 Discuss the Global Business Standards Codex with respect to a company's responsibility.

CIVIS ANALYTICS AND HELPING OTHERS ORGANIZE THE WORLD

Civis Analytics is a business analytics company which helps businesses, nonprofits, and government agencies organize and interpret data to identify, attract, and interconnect with customers, constituents, and citizens.

Civis Analytics was established in 2013 by CEO Dan Wagner after Wagner had worked as the chief analytics officer for Barack Obama's 2012 presidential campaign. One of the primary focuses of Civis Analytics is to provide governments with software which can be used to facilitate the engagement with citizens and generate data which can be used to analyze policy issues. One-third of its revenues is based on government contracts while NGOs and companies generate two-thirds of its revenue.

Its commitment to individual engagement is not only for its clients but also part of Civis's overall philosophy and vision.

Civis's commitment to its employees includes benefits such as flexible work schedules, family medical leave, generous parental leave, encouraging employees to eat lunch together, commitment to diversity and inclusion, wellness programs, pet insurance,

cross-functional training, and an unlimited vacation policy. Civis's commitment to its surrounding communities includes not only encouraging employees to volunteer at any local organization of their choice, but also the organizing of employee volunteers' days through its "Civis for Good" program. This civic commitment of Civis is based on its core principle of doing the right thing even if that action costs Civis time and money. Civis for Good programs include the Bike Lane Uprising, a cyclist-led civic technology platform that analyzes data to make cycling safer. Civis employees uploaded data on bike lane obstructions across Chicago to aid not only cyclists, but also to give data to activists and policymakers to eliminate the obstructions. Civis also organized volunteer days to help create gift packs and meals for children and families in need.

However, another extremely valuable outreach program Civis has established is its pro bono work. Civis will provide free consulting to organizations that do not have access to or expertise in analyzing data. For example, Civis worked with a Chicago-based non-profit called mRelief which is implementing programs to increase the accessibility of food stamps for people in need. Civis helped mRelief organize its data to be able to mea-sure the impact of its technology in the implementation of its program.

Civis also has done pro bono work for USA for UNHCR, a United Nations based orga-nization that protects and empowers refugees. Civis analyzed data through its Creative Focus message tool which identified how USA for UNHCR could enhance its donation program through more customized communication.

Past revenue generating projects for Civis with nonprofit clients include organizing millions of records for the Human Rights Campaign, the largest civil rights organiza-tion in the United States working for LGBTQ equality, analyzing effective opioid addiction treatments, and aiding the Robin Hood Foundation in its fight against poverty.[1,2,3,4]

DEFINITION OF ETHICS AND BUSINESS ETHICS

LEARNING OBJECTIVE
1.1   Define the terms *ethics* and *business ethics*.

As human beings, we are accountable for our actions. Our day-to-day interactions in every activity we participate in affect both the human and the nonhuman elements of our world. As a result, as employees of a business organization, we take on the additional burden of also being responsible for the actions of the business organization. An underlying component in guiding our behavior both inside and outside a business setting is the role of ethics.

Ethics can be defined as the values an individual uses to interpret whether any particular action or behavior is considered acceptable and appropriate.

Business ethics can be defined as the collective values of a business organization that can be used to evaluate whether the behaviors of the organization's collective members are considered

acceptable and appropriate. To understand what is acceptable and appropriate for individuals, their moral values must be identified and supported.

THE ROLE OF MORALS

LEARNING OBJECTIVE
1.2   Explain the role of moral values in business ethics.

The *moral values* of an individual relate to the guiding principles in the life of a person which are based on the fundamental needs of the individual in order survive and grow within the framework of society.[5] Individuals rely on their own principles and standards of conduct to determine what course of action to take. Through various sources, such as religious affiliations, individuals are "taught" to determine "right" from "wrong." In addition, being a member of society "teaches" individuals what are acceptable principles or moral standards based on the moral values of society. The moral values of the individual are based on their character. This component includes strength of character, virtue, and integrity. *Strength of character* is based on adhering to one's moral beliefs even if it will result in a great cost for the individual. *Virtue* embodies characteristics such as prudence, fairness, trustworthiness, and courage. *Integrity* can be described as the ability to have a clear conscience and be at peace with your actions. The consequences of the individual's actions focus on the moral importance to the "ends" as well as to the "means." You must strive for a morally positive outcome and not just have positive moral actions. The result is as important as the avenue taken to reach that result.[6] The ends and the means are critical issues related to business ethics as they are incorporated into a free enterprise society.

Is Greed Good?

> *The point is, ladies and gentleman, that greed—for lack of a better word—is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms—greed for life, for money, for love, knowledge—has marked the upward surge of mankind. And greed—you mark my words—will not only save Teldar Paper, but that other malfunctioning corporation called the USA.*[7]
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> —Gordon Gekko*, Wall Street,* 1987

In the movie *Wall Street*, Michael Douglas plays the role of Gordon Gekko, who is a corporate raider. A corporate raider such as Gekko buys a majority of stock in underperforming companies in which the total market capitalization of the company is below the value of the assets. This means the asset value of the company is higher than the total value of outstanding stock of the company. Gekko, like other corporate raiders, would buy a controlling interest in the company and then break up the company by selling the assets separately and would capture the

arbitrage difference between the higher asset price and the total market capitalization. While attending the annual meeting of a company in which he had just become the majority share-holder, Teldar Paper, Gekko presented a speech to the stockholders about the virtues of greed. The speech, which lasts less than 45 seconds on screen, identifies the true underlying conflict inherent in a capitalistic economy and is the basis of any discussion related to the value of business ethics. The free enterprise system is based on motivating individuals to be productive. The more productive they are, the more resources they can accumulate. Thus, according to Gekko, individual self-interests and greed are integral for the success of a capitalistic society. Individuals must understand and agree to the rewards of their actions to meet the expectations of their jobs. As Gekko states, people are rewarded for their efforts through this competition of being better than others. As with any competition, however, there are both winners and losers. The ideals of business ethics attempt to address this distinction of "winners" and the rest of society. Although everyone has the right and freedom to accumulated resources based on their efforts, there is a line at which the self-interests of the individual do not supersede the interests of society. The establishment of laws and regulations control this type of behavior. Furthermore, as free will can be used to accumulate resources, it can also be used to determine what is perceived to be ethical or not. For example, it may be legal to have young girls sew shirts together for the equivalent of one dollar a day in developing countries such as Bangladesh and India; however, the question each company considering this option must also ask is whether this action is ethical. The study of business ethics is not always a black-and-white or a yes-or-no decision. The complexity of the issue must be considered by each decision maker as they make decisions that affect the company and other stakeholders in society.

Why Is Studying Ethics Important?

Business ethics can be described as having many shades of gray rather than being black and white. Within a corporate environment, individuals are always being tested to determine the direction of their moral compasses. In a highly competitive global environment, there are many Gordon Gekkos who will do whatever it takes to win, even if it includes unethical actions. For many individuals, the ends rather than the means are important. As long as they "win" the competition, they do not care what means they use to obtain the "victory."

As a result, each individual decision maker is vulnerable to pressures, both from peers and superiors, that may not coincide with their ethical beliefs.

In its 2020 Global Integrity Report, Ernst & Young (EY) disclosed the current trends related to unethical behavior in the marketplace. EY interviewed approximately 3,600 employees from front line workers to senior executives from 33 countries to get a sense of the ethical climate in the workplace. Employees perceive an ethical climate as more than just a necessity to avoid criminal and civil punishment. Fifty percent of the respondents agreed that a positive ethical culture strengthened the reputation of the firm while 41% believed a positive ethical culture attracts new customers, while 40% believed it helped retain talented employees. However, 53% of junior employees were not confident that top-level management abides by the relevant laws, codes of conduct and industry regulations while 58% of the board members in the survey are very confident that they play by the rules related to laws and government regulations.

Thirteen percent of the respondents admitted they would ignore unethical conduct by a third party if it would facilitate career advancement while the number increased to 20% among board members. In addition, 30% of the respondents stated they would be prepared to behave unethically to improve their career. The study also showed that 35% of the respondents believed that unethical behavior in their organization is tolerated when the employee is either a top-level manager or a high performer.

When asked the question of which of the following would you be prepared to do to improve your career, the results showed that 12% of all respondents and 14% of board members and 15% of top-level management would ignore unethical conduct in their team. When asked if you would be willing to mislead external parties such as auditors or regulators, the response of all respondents was 10%, for board members it increased to 14% and top-level management it increased further to 15% percent. If offered, would they be willing to accept a bribe, 8% of all respondents stated they would with the percentage increasing to 12% for both board members and top-level managers. The results of the study also found that it is also very challenging for many employees to report unethical behavior. Only 58% of junior employees believed they could report unethical wrongdoing without fear of being punished while 70% of the board members believed they can report wrongdoing without negative consequences.[8]

Each individual must know their own ethical beliefs, as well as those of their employer.

TYPES OF ETHICAL EXAMINATIONS

LEARNING OBJECTIVE
1.3   Describe the different types of ethical examinations and frameworks.

To understand how ethics play a role in an individual decision-making process, it is important to understand that there are different types of ethical examinations. Information pertaining to ethical issues can be classified as descriptive, analytical, and normative.

Descriptive Ethics

Descriptive ethics is the presentation of facts related to the specific ethical actions of an individual or organization. Descriptive ethics is used when an observer wants to understand the course of events that generated the ethical issue. Within the descriptive ethics context, there is no interpretation of the facts or assumptions concerning why certain courses of action took place.

Analytical Ethics

The second way in which ethics can be examined is through an analytical lens. *Analytical ethics* can be described as understanding the reasons a course of action that may have an ethical impact took place. Analytical ethics, or metaethics, moves from the how and when inquiry, which is the basis of the descriptive ethics viewpoint, to inquiring why something is happening. Hypotheses

can be developed from analytical ethics to help us understand the relationship between different variables affecting ethical behavior. From a legal standpoint, analytical ethics would address the "motive" behind the actions instead of just being satisfied with a description of the actions.

Normative Ethics

The third approach to view ethics is from a normative perspective. ***Normative ethics*** can be defined as a prescribed course of action that attempts to ensure ethical behavior will be followed in the future. Normative ethics moves the evaluation of the ethical behavior from a past to a future tense. Normative ethics presents information on what should be done in the future rather than what was done in the past, which are both part of descriptive and analytical ethics. This prescriptive approach allows employees and managers to address potential ethical issues before they occur.[9]

An Example of Ethical Examinations Using Rio Tinto's Destruction of the Juukan Gorge

The Juukan Gorge in Western Australia is considered to be a sacred site for the Aboriginal people native to Australia. The sites have yielded evidence of continuous occupation for 46,000 years from the last ice age. The sites also contain DNA including human hair which is estimated to be 4,000 years old. Discoveries at the sites also include grinding and pounding stones, a 28,000-year-old marsupial bone which had been sharpened and a 4,000-year-old belt made of human hair that were all genetically linked it to the current Aboriginal people in the area.

In May 2020, Rio Tinto blasted the sites to expand its iron ore mine. Rio Tinto received government consent to destroy the sites based on the Western Australian's Aboriginal Heritage Act that was established in 2013. These outdated laws were based on the original drafted laws that were created in 1972 which favored mining companies instead of the Aboriginal people. After the consent was given but before the sites were destroyed, an archeological dig was performed to save whatever artifacts were possible. Artifacts were found that were twice as old as was previously thought to exist at the sites including various sacred objects. The Aboriginal Heritage Act did not allow for consent for the development of the area to be renegotiated based on the discovery of new information related to the site.

Rio Tinto destroyed the Aboriginal sites to get access to $135 million in iron ore. At an Australian government parliamentary inquiry, Rio Tinto CEO Jean-Sebastien Jacques admitted that Rio Tinto had considered four options in which three of the four would not destroy the scared sites. Rio Tinto had decided to implement the fourth option of destroying the sites to obtain access to a greater volume of higher-grade iron ore. By destroying the scared sites, Rio Tinto obtained access to 8 million more tons of iron ore. Rio Tinto had not told the native people there were four options but only offered the one option to them which was the destruction of the scared sites. The inquiry also asked Rio Tinto CEO Jean-Sebastien Jacques if it was true that the previous CEO of Rio Tinto, Sam Walsh, had ordered that the sacred sites were not to be destroyed. Jacques stated that an internal investigation at Rio Tinto did not find evidence that those directions were stated by the previous CEO.

In September 2020, it was announced that Rio Tinto CEO Jean-Sebastien Jacques would leave the company no later than March 31, 2021. Two other executives including the head of

Rio Tinto's iron ore division also announced their resignations. However, the conclusion of an internal Rio Tinto review states that no senior leader of its iron ore unit or group executive was aware of the significance of the sacred sites. In December 2020, Rio Tinto was ordered to rebuild the ancient Aboriginal caves and was required to compensate the traditional owners of the land, the Puutu Kunti Kurrama and Pinikura (PKKP) people.

On February 22, 2021, it was announced that former CEO Jean-Sebastien Jacques received total compensation of 13.3 million pounds (approximately $17.5 million) in 2020 which was an increase from 7.1 million pounds in 2019. This increase in compensation occurred despite Jacques being forced to resign due to his decision to destroy the sacred sites. Rio Tinto's Board of Directors remuneration committee had decided to grant Jacques and two other executives "leaver" status which allowed them to leave the company without stiff financial penalties. The other two executives, the head of the iron ore division, Chris Salisbury, and head of corporate affairs, Simone Niven, received total annual compensation of $5.3 million and approximately $6.7 million respectively before they left Rio Tinto.

In September 2021, Rio Tinto released the *Communities and Social Performance Commitments Disclosure Interim Report* which explained its actions related to the destruction of Australian sacred sites. In this 22-page document, Rio Tinto apologizes for its actions and presents its 11-step planned course of action to foster a more cooperative commitment with its critical stakeholders.

The first step is to remedy its actions by fostering and rebuilding its relationship with the PKKP people. The remedying includes the remediation of the area west of the Juukan Gorge, creating a safe access to the gorge and remediating the Juukan rock shelters sites. The second step is partnering with the PKKP people in modernizing and improving the current agreements between the land owners and Rio Tinto. The third step is the establishment of the new communities and social performance model which is a corporate-wide initiative including the evaluation and protection of sacred sites globally. Steps 4 and 5 focus on communities and social performance governance including the development of more stringent Communities and Social Performance (CSP) standards and stronger corporate governance and board oversight.

The sixth step is Rio Tinto actively reducing the barriers to hire as well as increase the level of indigenous employment. Step 7 is increasing indigenous leadership and developing a high level of cultural competency within Rio Tinto. Step 8 is the establishment of a process which will redefine and improve its corporate cultural heritage management standards. Step 9 is the establishment of an Australian Advisory Group. Steps 10 and 11 are elevating external consultation and employee engagement respectively.[10,11,12,13,14]

The use of descriptive, analytical, and normative ethical examinations can be used to describe the actions of the Rio Tinto's destruction of sacred sites in Western Australia.

Descriptive

The descriptive examination is the presentation of the facts of the unethical behavior at Rio Tinto. The facts related to the Rio Tinto example included top-level management being aware that the expansion of its iron ore operations would result in the destroying of two sacred indigenous sites in Western Australia. Rio Tinto had developed four options for expanding its operations in which only one option would destroy the sites. These options were not given to the

indigenous people (PKKP) who owned the land. The PKKP were told the only option available was to destroy the sites. The facts also alleged that the previous CEO had ordered that the site would not be destroyed to obtain access to 8 million tons of iron ore. Rio Tinto refused to stop the destruction of the sacred sites even after an additional discovery was made which had determined that the sites contained evidence of human activity that was over 40,000 years old.

Analytical

The analytical ethical examination of the destruction of the sacred sites includes, in part, trying to understand why Rio Tinto management including its CEO, Jean-Sebastien Jacques, acted unethically. Through their individual cognitive lenses, the management at Rio Tinto believed they had done nothing wrong. Rio Tinto had the legal right to destroy the sties based on the current government regulations. Since their focus was on maximizing shareholder wealth, it was a purely rational decision to destroy the sites to get access to the additional 8 million tons of iron ore. The decision made by Rio Tinto was supported by the managers who received an increase in their level of compensation due, in part, to Rio Tinto's higher stock price. This financial reward validated Rio Tinto's focus on ensuring the needs of the shareholders superseded the needs of other stakeholders.

Normative

It was through the intense backlash by Rio Tinto's other stakeholders that Rio Tinto was forced to change and develop a comprehensive normative response to this crisis. Stakeholders including the PKKP, Australian investors in Rio Tinto stock, Australian citizens, and environmental groups forced Rio Tinto to recalibrate its understanding as to who its critical stakeholders are when making decisions related to sacred land. Rio Tinto forced the resignation of three top-level executives that were involved in the decisions and it published its *Communities and Social Performance Commitments Disclosure Interim Report* which explained its actions related to the destruction of Australian sacred sites. In this document, Rio Tinto not only apologized for its actions but also presented an 11-step planned course of action to foster a more cooperative commitment and dialogue with its critical stakeholders. This was a fundamental shift in Rio Tinto's relationship with its stakeholders in not only this specific crisis, but, the framework becomes a playbook to be used to address the needs of its critical stakeholders in its global operations in the future.

TELEOLOGICAL FRAMEWORKS

LEARNING OBJECTIVE
1.4   Discuss the teleological ethical frameworks presenting an example of each.

Although types of ethical examinations focus on information and how decision makers use information, teleological ethical frameworks focus on explaining the conduct of the individual

from a philosophical perspective. Teleological frameworks focus on the results of the conduct of the individual. Derived from the Greek word for fulfillment, *telos*, these frameworks focus on the ramifications, positive and negative, resulting from the actions and conduct of individuals. The three teleological frameworks are ethical egoism, utilitarianism, and Sidgwick's dualism.[15]

Ethical Egoism

Although Thomas Hobbes has been credited with the development of ethical egoism, it can be said that Plato may have actually been the father of the ideas that have evolved into this framework. Contemporary writers such as Ayn Rand have embraced the concept of focusing on each individual's self-interest. *Ethical egoism* is based on the belief that every individual should act in a way to promote oneself if the net result will generate, on balance, positive rather than negative results.

Derived from the Latin word *ego*, which is defined as one's self, ethical egoism allows self-interests to play a role in the actions of the individual if there are also positive benefits for others. Of course, individuals who abide by the philosophy of ethical egoism may have different interpretations about what would be considered, on balance, an action that is good for others as well as themselves. Some ethical egoists may argue that based on their own perceptions, all their actions, on balance, generate more positive than negative benefits. This level of rationalization may evolve into the justification that pursuing a person's self-interest is necessary to generate a positive outcome for others.

The supporters of ethical egoism argue that this framework is the only ethical model that captures the essence of motivation within individuals. Without self-interest, ethical egoists argue, why would someone do anything? As a result, ethical egoists argue their philosophy supports a "win-win" proposition. An individual will reward their self-interest while yielding benefits for the rest of society. Those who argue against ethical egoism state that part of the connection of the actions that motivate an individual also require certain obligations of an individual.[16]

Utilitarianism

The utilitarianism movement started in England in the 18th century. Originally developed by Jeremy Bentham in his *Introduction to the Principles of Morals and Legislation* in 1789 and John Stuart Mill's *Utilitarianism* in 1863, *utilitarianism* holds the belief that any action of an individual will be based on providing the greatest good for the greatest number of people. Derived from the word *utility*, utilitarianism is based on the principle of utility: Each person's actions add to the overall utility of the community affected by their actions. As a result, utilitarian's focus on the net result of their actions instead of the means or motives that generated the reason for their actions.

Utilitarianism can be based on single acts of individuals (act utilitarianism) or on guiding behavior indirectly through an evaluation of ethical conduct via rules and procedures (rule utilitarianism).[17] Those who support utilitarianism state this theory is the only one that captures the essence of benevolent behavior. Without utilitarianism as a framework, supporters argue, people will not act to help others if the actions do not benefit the self-interests of the individuals.

Those who oppose the utilitarian viewpoint state it is difficult to ever properly evaluate the effectiveness of utilitarianism because it is practically impossible to determine what would be the greatest good for the greatest number. These people also argue there will be some inherent contradictions with this theory. Stating that the actions support the greatest good for the greatest number begs the question whether the minority that does not receive the greatest good would be treated unfairly.[18]

Sidgwick's Dualism

First published in 1874, *The Methods of Ethics* by Henry Sidgwick attempted to bridge the gap between the two competing ethical frameworks of ethical egoism and utilitarianism. Sidgwick argued that a common ground could be found between the two theories. Hence, Sidgwick's dualism was developed. At the core of the argument is that both previous theories had elements of using cost–benefit analysis to help analyze the actions of individuals. ***Sidgwick's dualism*** attempted to resolve the fundamental difference of whether the actions for one's self-benefit affect just the individual or others. Sidgwick argued that utilitarianism is a foundational component of any ethical framework, which he called *rational benevolence.* However, he also argued that the self-interest of ethical egoism must be included in the ethical framework he called *prudence.* He argued that rational benevolence is necessary in an individual's actions, but he also stated that prudence is necessary because the happiness of the individual is the common goal of the action, and it would not be logical for an individual to sacrifice their own happiness to help others. Therefore, he argued that a harmony can exist among rational benevolence and prudence viewpoints to have a rational ethical model. He concluded by stating there had to be some reconciliation between the two theories to explain how individuals act in their self-interest as well as in the interests of others.[19] The teleological ethical frameworks are summarized in Table 1.1.

TABLE 1.1 ■ Teleological Ethical Frameworks	
Framework	**Characteristics**
Ethical Egoism	● Promote oneself to generate positive results ● Good for oneself as well as others ● Win-win perspective ● Creates motivation
Utilitarianism	● Greatest good for the greatest number of people ● Individual action improves the overall community ● Benevolence
Sidgwick's Dualism	● Cost–benefit analysis ● Rational benevolence ● Prudence

An Example of Teleological Frameworks Using Civis Analytics

These frameworks can be used to present different arguments from a business perspective. The supporters of the ethical egoism theory argue that businesses should focus solely on their self-interests and maximize their level of profitability by developing a strong competitive advantage. Those who support the utilitarianism theory accept government intervention to protect the interests of the majority against the decisions of the minority within any given business. In his book *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Adam Smith presented an argument that could support Sidgwick's dualism. Smith argues the greatest good for the greatest number is achieved by individuals pursuing their self-interests in the marketplace.[20]

The opening vignette describes how Civis Analytics is making a commitment to the local community by not only offering traditional outreach programs such as encouraging employees to volunteer at local organizations and having organized employee volunteers' days, but it also does pro bono work to help nonprofit organizations organize and analyze their data.

- *Ethical Egoism.* There are certainly self-interests in Civis's commitment to community outreach. As was described in the vignette, Civis is acutely aware of the importance of recruitment and retention of valuable employees. By offering generous employee benefits, Civis understands it needs to focus on the holistic perspective of the employee. To be successful in an extremely competitive industry such as business analytics, it is critical for Civis to have superior employees who generate and maintain its competitive advantage. Therefore, by offering these programs, Civis receives the benefits of employees who are both highly skilled and highly motivated for Civis to succeed. This program provides intrinsic motivation and satisfaction to the employees to encourage their best performance at all tasks related to their jobs. These outreach programs also enhance Civis' corporate image and reputation which can strengthen its competitive position in the marketplace. Civis can demonstrate to its stakeholders that it listens and understands the needs of organizations that support local and global initiatives.

- *Utilitarianism.* It could be argued that Civis's pro bono work is utilitarian in nature. By presenting the skill set of Civis's employees to help organizations which could not afford to pay for this work, Civis is providing a great good to the local community organizations. Civis's outreach programs facilitate the benefits to society by providing services which otherwise would not be implemented.

- *Sidgwick's Dualism.* It could be argued that Civis's outreach programs and pro bono work most resemble a program that matches the middle ground between ethical egoism and utilitarianism. Under Sidgwick's dualism, there are benefits of both serving self-interests and providing the greatest good to the greatest number. Civis's pro bono work may be considered a closer fit to Sidgwick's dualism. It is utilitarianism in that it is serving the needs of organizations that would otherwise not be served, yet Civis benefits by enhancing its corporate reputation as well as providing intrinsic motivation and satisfaction for its employees. It is expected that existing employees desire these programs and potential employees want to become involved with these programs.

Therefore, projects such as Civis's pro bono work serve as a reminder that firms can use various methods to serve others as well as themselves. Although the teleological frameworks focus on how the decisions made by the individual achieve the desired results, an alternative philosophical framework focuses on the duty of the individual.

DEONTOLOGICAL FRAMEWORKS

LEARNING OBJECTIVE
1.5   Discuss the deontological ethical frameworks presenting an example of each.

As opposed to teleological frameworks, which focus on whether the results are favorable or not, deontological frameworks focus on the duty or obligation in determining whether the actions are right or wrong. The term *deontological* is derived from the Greek word *deon*, which means *duty.* There are three deontological frameworks: existentialism, contractarianism, and Kant's ethics.[21]

Existentialism

Existentialism is based on the underlying belief that the only person who can determine right and wrong is based on the free will of the person making the decisions. Each individual determines their actions and is ultimately responsible for the consequences of those actions. Philosophers such as Søren Kierkegaard, Friedrich Nietzsche, and Jean-Paul Sartre have all embraced existentialism as the most viable way to connect duty with actions. Through authenticity of their actions, individuals can develop their own sense of personal virtue. Existentialism does not use universal principles because each individual determines acceptance of their actions.[22] As Polonius advises his son, Laertes, in William Shakespeare's *Hamlet*, "This above all: to thine own self be true, and it must follow, as the night the day, thou canst not be false to any man."[23]

Contractarianism

Contractarianism, or social contract theory, is based on the belief that all individuals agree to social contracts to be a member within a society. This theory is based on the work of John Locke's 1690 book, *Two Treatises on Government*; Jean-Jacques Rousseau's *The Social Contract, or Principles of Political Right*, published in 1762; and, more recently Garrett Hardin's 1968 book, *The Tragedy of the Commons*, and John Rawls's 1971 book, *A Theory of Justice.*

Contractarianists hold the view that membership in society comes with certain duties and responsibilities. Individuals agree to the norms of society by establishing a social contract with the other members of society. The underlying principle of contractarianism is to have guided principles that are fair to everyone. If the principles are fair, everyone in society should agree to abide by the principles. Rawls proposed that individuals in a social contract freely to have economic and political components that help guide our day-to-day living. Rawls argued that

everyone should have equal rights and duties. Furthermore, he stated that if there are social and economic inequalities, it would be acceptable to society only if these inequalities were able to generate benefits for everyone in society. Rawls challenged the utilitarianism philosophy by stating that it would not be acceptable to focus on actions for the greater good if the underprivileged do not also benefit from the decision.[24]

Kant's Ethics

In his book *Foundations of the Metaphysics of Morals* (1785), Immanuel Kant discusses ethical decisions based on the free will of the individual. Kant argues the free will to make decisions that were considered rational needed to be converted into a universal will. Kant's ethical view is considered a dualism because it attempts to bridge the gap between the existentialist and contractarian points of view. The linkage Kant made was to consider his principle pertaining to free will based on the philosophy that an individual should act in a way in which one would expect everyone to act if it were a universal will and to treat other individuals as the end, not the means to an end. As a result, Kant rejects the view of using heuristics of "gut feelings" as a justification for a decision because these findings are not always predictable nor are they acceptable. In addition, the rationale for not committing an illegal act such as dumping dangerous chemicals into a water source should not be based on the legal requirements or the potential negative image that would be created for the company. Kant would argue the manager should only consider whether his free will action to dump the toxic waste would be acceptable as a universal will in which any company or individual could dump any chemical they wanted into any water supply. Kant argues this should be the only way in which managers should consider their decisions.[25]

Using Rio Tinto as an Example of Deontological Frameworks

We will revisit the Rio Tinto case from the viewpoints of deontology.

Existentialism

The executives at Rio Tinto believed they did nothing wrong because their actions were legal. The executives were making decisions which would maximize the profit opportunity for Rio Tinto. Since these were rational decisions from their perspectives, they assumed that other people would also make the same decisions given the same set of circumstances.

Contractarianism

By being a publicly traded company with a license to operate, Rio Tinto agrees to abide by certain social norms. These norms include being truthful and understanding how its decisions can impact others. Rio Tinto was not truthful with the owners of the land by informing them that the only option it had was to destroy the sacred sites. Social norms also highlight the distinction between ethical and legal decisions. Rio Tinto made a legal decision but social norms would conclude that the decision to destroy the sites was not an ethical decision. This brings up the old adage that just because you can do it does not mean that you should do it. The immediate backlash by Rio Tinto's stakeholders reinforced the belief that their decision was not consistent with social norms.

Kant's Ethics

Rio Tinto's management had a distorted perspective of the impact its decision had on its critical stakeholders. Kant's ethics presents the agreement that the free will of the individual which is embraced by universal principles will determine the correct action to take place. The decisions made by Rio Tinto are not consistent with a validation of a universal will. Kant argues that a decision maker should consider its actions as valid if, as a universal will, any firm or individual will act in the same manner globally. As a result, Rio Tinto ethically failed using the criteria established by Kant.

SEVEN GUIDING PRINCIPLES TO SUPPORT ETHICAL ACTIONS

LEARNING OBJECTIVE
1.6   Compare and contrast the seven guiding principles to the seven deadly sins and their relationship to ethical behavior.

As with anyone trying to do what is right and ethical, it helps if there are guiding principles to help direct our actions. In his book *The Right and the Good* (1930), W. D. Ross argued individuals should follow certain principles that are considered part of the prima facie obligation an individual has to society. Ross identified in his book that there could be a conflict between the duties and obligations of specific circumstances and that actions may override an individual's actual duty. For example, Ross explained telling a lie or breaking a promise to an individual may be acceptable in certain circumstances. The circumstances help develop the distinction between a prima facie duty based on that specific set of circumstances and an actual or absolute duty.

Ross presented seven basic principles to support his ethical philosophy. By following these principles, individuals develop a level of intuition that becomes incorporated in their decision-making process. The seven guiding principles are as follows:

1. *Fidelity*: An individual needs to keep explicit and implicit promises.

2. *Reparation***:** An individual must act on repairing the consequences for previous wrongful acts.

3. *Gratitude*: An individual must be able to show gratitude for the kindnesses that others have given them.

4. *Justice*: An individual should try to see that any goods are fairly distributed.

5. *Beneficence*: An individual should focus on trying to improve the lives of others.

6. *Self-improvement*: An individual should improve oneself by focusing on virtue and intelligence.

7. *Noninjury*: An individual should not cause any harm to others.

Ross draws on the work from previous theories. Ethical egoism is represented in self-improvement, and utilitarianism is represented in beneficence and noninjury. Furthermore, existentialism is represented in fidelity, and self-improvement and contractarianism are represented in fidelity and justice.[26] One of the founding areas of guidance for those unsure about their ethical standing is referred to in the seven deadly sins.

The Seven Deadly Sins

For centuries, human behavior has been evaluated based on seven deadly sins. The seven deadly sins are lust, gluttony, greed, sloth, wrath, envy, and pride.

Lust

Lust can be defined as the trait of an individual who has obsessive and compulsive continuous thoughts of sexual desire. The thoughts of sexual drive overtake all other functions of the individual in the attempt to satisfy the individual's sexual appetite. Dante referred to lust as the "excessive love of others."[27] This excessive love is considered a sin because it supersedes the love and devotion the individual should have with God.[28] In Dante's *Inferno*, lust is included within the second circle of Hell, and the individuals are sinful because "they subordinate reason to desire."[29]

Gluttony

Gluttony is overindulgence and overconsumption of anything good to the point that the good is wasted when it is consumed. The sin related to gluttony is the rationale that someone who is not as well off would have received a much larger positive benefit had the good not been wasted. For example, a person who drinks 10 glasses of wine could have generated a benefit for nine other people if they had drunk just one glass. In addition, gluttony allows animal instincts such as appetite to control the behavior of the individual. The net result is that the individual who is gluttonous is one who puts himself before others with their actions, which is considered sinful and a distraction from a spiritual life.[30]

Greed

Greed, or avarice, is also considered a sin of excess like lust and gluttony. Greed is an excessive desire by the individual to obtain wealth, status, and power. In addition, greed can be considered the continuous accumulation of material wealth without regard for the methods used to obtain such wealth. Furthermore, miserliness and unethical business practices are considered part of the sin of greed. Greed drives the individual to "worship" material goods instead of spiritual goods. The worshiping of "false idols" allows the individual to focus only their self-interests with no consideration of alternative paths that would help others in society.[31] Dante, who identifies greed in the fourth circle of hell, criticizes individuals who are driven by greed, or other misers who spend their material wealth too freely. Dante explains that both are excessive behaviors, and the individual ignores the value of moderation.[32]

Sloth

By far the least familiar of the seven deadly sins, the definition of sloth as a sin has evolved over time. Initially, the term *sloth* was described as an individual's apathy, sadness, and lack of joy in

their everyday life. The definition was refined to include when individuals fail to use their full potential of talents and gifts they were given as humans. However, a more modern definition of sloth includes being lazy and indifferent about one's actions.[33]

Wrath

Wrath can be defined as an uncontrollable level of anger or rage. Anger can lead to actions such as impatience, revenge, and vigilantism. Without forgiveness, wrath can dominate the actions of the individuals for the rest of their lives. To focus on revenge means the individual is not satisfied with the current set of circumstances and will not rest until those circumstances have changed. Dante referred to wrath as "love of justice perverted to revenge and spite."[34]

Envy

The sin of envy or jealousy relates to focusing on one's self-interests in the desire to obtain qualities or possessions of another person. Dante describes envy as the "love of one's own good perverted to a desire to deprive other men of theirs."[35]

Pride

Pride, vanity, and hubris refer to competitively measuring one person's characteristics or actions based on the characteristics or actions of another person. The sin of pride relates to being considered above or "superior" to another person. It is considered the most serious of the seven deadly sins because it is the source of the other six sins. By having a desire to be superior and more important than others, the individual focuses solely on their self-interests and fails to acknowledge the good work of other people.

Although the seven deadly sins have been a traditional measure of the virtue of human beings based on their actions, the moral values of an individual can be identified in numerous ways. Philippe Foot believed that virtues could be measured and compared objectively from one person to another. The measurement of the virtue of the individual decision maker is the basis of the "trolley problem."

The Trolley Problem

A runaway trolley is speeding out of control down a hill. The brakes do not work, so it cannot be slowed down. At the end of the track are five people who will be killed if the trolley hits them. The only choices the driver of the trolley has are (1) do nothing and kill the five people or (2) pull a lever that would result in the trolley shifting to another set of tracks in which one person who is unaware of the runaway trolley would be killed. As the driver, what would you do?

If you decided that killing one was better than killing five people, then Judith Jarvis Thomson has an alternative scenario that may yield alternative results. A surgeon has been attempting to help five people who all need a different organ transplant. A patient comes in for a routine checkup, and the surgeon realizes the patient's organs would be compatible with all five of the patients who need the organ transplants. In this scenario, would it be morally correct to save five people by killing one person? Of course, the distinction is that in the trolley example,

the driver must decide between two negative duties, while the surgeon must decide between a negative and positive duty.

Thomson added two additional scenarios pertaining to the trolley problem. Another scenario is based on having a bystander observe the trolley going down the tracks and having to make the decision to either do nothing and five people ending up dead or diverting the trolley and assume that they would be responsible for the death of the one person. The other scenario is based on the circumstance in which a bystander from a bridge observes the trolley going down the track and realizes that only a large heavy object could stop the trolley if it is thrown in front of the trolley. The bystander looks around the bridge and the only object big enough to stop the trolley is an overweight man also standing on the bridge near him. Would the bystander try to throw the overweight man over the bridge to stop the trolley?[36,37] These are the types of ethical dilemmas that individuals must address throughout their lives. As a result, individuals can benefit by having different ethical principles to help guide them during their lifetimes.

The Trolley Problem and New Technology

The underlying premise of the trolley problem is based on the belief that humans make potential tradeoffs when they are forced to make a decision to resolve an ethical dilemma. This raises the question as to whether an artificial intelligence (AI) system would have the same struggle in what actions to implement.

With the advancement of AI systems which has resulted in the development of self-driving automobiles and other autonomous objects, the question is raised as to whether an AI system would be able to make the decision to let five people die without any action or let one person die with an action. What if that one person is the driver of the autonomous automobile? It is expected that the AI system would be designed so the safety of the driver supersedes the protection of the others. Therefore, would an autonomous automobile kill five people to save the driver?

The ethical dilemma of the AI system would be similar to Isaac Asimov's three laws of behavior for robots. The first law states a robot is not allowed to injure a human or allow a human to be harmed through inaction. The second law states the robot must obey the orders given by human beings unless the orders directly conflict with the first law. The third law states the robot must protect itself unless it conflicts with the first two laws. If technology advances to the point where AI systems can "understand" these laws when making a decision, it will appear the AI systems would continue to struggle as to what the correct course of action would be to resolve this ethical dilemma.[38]

GLOBAL BUSINESS STANDARDS CODEX

LEARNING OBJECTIVE
1.7   Discuss the Global Business Standards Codex with respect to a company's responsibility.

To develop a framework to evaluate the conduct of companies around the world, the Global Business Standards Codex was established.[39] This codex captures the eight major underlying principles in which ethical behavior can be interpreted and evaluated. The eight ethical principles are fiduciary, property, reliability, transparency, dignity, fairness, citizenship, and responsiveness.

Fiduciary Principle

As part of the legal structure of a business organization, each officer and director of a company has a legal fiduciary duty to act in the best interests of the stakeholders and other employees within the firm. Furthermore, there is also an implied fiduciary duty for every employee within the organization to act in a way that generates positive benefits for the firm. The traditional components of fiduciary duty include ensuring there are no actual or potential conflicts of interest given the actions of the employee. It also is implied that each employee will not put their self-interests above the overall interests of the firm. Additionally, it is assumed that employees will perform good-faith efforts in carrying out each of their responsibilities, will be prudent with the company's resources, and will exercise due diligence regarding the quality of their work. Specifically, *due diligence* includes ensuring the employee actively promotes the interests of the company in a diligent and professional manner. The employee is also expected to develop a sense of loyalty to the firm. From a loyalty perspective, the employee is expected to use their job title and the company resources available to them for company purposes only. A loyal employee is expected to report any ethical violations and conflicts between the employee's own interests and the company's interests. A loyal employee is expected to refuse any type of gift that could be considered excessive within a business relationship context.[40]

Property Principle

The property principle is based on the belief that every employee should respect property and the rights of the owners of the property. Traditional examples of violations of this principle include theft, misappropriation of funds, and wasting resources. This principle has been expanded to intangible property and now includes the misappropriation of intellectual property or other types of information. An employee is expected to protect the tangible and intangible assets of the firm. In addition, the employee is expected to be a good steward to the resources the employee has access to. As a result, it is the duty of the employee not to damage or steal any assets or allow a third party to take any of the company's tangible or intangible assets or steal the assets of another firm. Therefore, it is the employee's responsibility to prohibit any misappropriation of company funds, to not allow the firm's proprietary information to become available to a competitor, or to obtain access to a competitor's proprietary information.[41]

Reliability Principle

The reliability principle is based on the belief that it is the employee's responsibility to honor the commitments they have made to the firm. Employees are expected to follow through with

the promises and commitments that have been made between the employees and the firm. Traditional violations of the reliability principle include breaching a promise or contract or not fulfilling a promised action. Employees are expected to do their best to make a good-faith effort to fulfill all the commitments the employee has promised. The reliability principle also includes ensuring that suppliers and other business partners are paid in a timely manner.[42]

Transparency Principle

The transparency principle is based on the belief that every employee should conduct business in a truthful and open manner. It is expected that the employees will not make decisions based on personal agendas. As a result, employees are expected not to act in deceptive manners and to keep accurate and current records of all the business obligations that are currently the responsibility of the employee. Employees should allow any other interested party to understand how the pattern of behavior was justified based on their actions. Traditional violations of this principle include fraudulent and deceptive actions of the employee.

Transparency also incorporates how the employee deals with information. Transparent actions include accurate and up-to-date records of the information related to the actions and the decision-making process. This also guarantees the financial information presented to investors is truthful and accurate and the information is developed within the guidelines of auditing and financial reporting standards. Furthermore, transparency guides the employees in ensuring the relationship between the company and its suppliers and partners is done in an honest manner. Transparency also ensures the firm's marketing focus does not mislead or misinform its current and potential customers. Transparency ensures that firms present accurate and truthful customer warnings for any health and safety issues that could affect the customer's use of a product.

Transparency makes it clear to the employees that the acquisition of proprietary information from competitors is not acceptable. The benefits of following the transparency principle include the ability to make better-informed decisions, the ability to ensure the truth is always presented to others in the organization, and an allowance for improved cooperation within the firm through the development of trust among the employees.[43]

Dignity Principle

The dignity principle is based on the belief that each employee needs to respect the dignity of all individuals. Protecting the dignity of people in society includes ensuring the human rights of health, safety, and privacy. Furthermore, the dignity principle encourages the enhancement of human development within the company, in the marketplace, and in society at large. Therefore, any type of humiliation, coercion, or other type of human offenses directly violates the dignity principle. The dignity principle involves making affirmative efforts for those individuals who need help in their personal pursuits, and it helps protect those individuals who are vulnerable to unethical actions. Those vulnerable could be employees who potentially face harassment or other factors that could create a hostile work environment. Under the dignity principle, the company is responsible for ensuring that employees do not face unnecessary physical risks as they perform their work responsibilities.

Furthermore, the company is responsible for respecting employees' and customers' privacy and for protecting confidential information. The company should not accept any labor opportunities in which child labor would be directly or indirectly involved in the manufacturing of the firm's products. The firm should allow the employees to form a union and permit collective bargaining to take place pertaining to labor issues. Moreover, the dignity principle highlights the sensitivity employees should have as they interact with people from other cultures and other countries.[44]

Fairness Principle

The fairness principle is based on the belief that stakeholders who have a vested interest in the firm should be treated fairly. There are four types of fairness: reciprocal fairness, distributive fairness, fair competition, and procedural fairness. *Reciprocal fairness* addresses the issues of treating another party fairly and having the other party treat the firm fairly. *Distributive fairness* is based on the assumption that the allocation of finite resources within the firm will be distributed fairly based on maximizing the benefits of those allocations. *Fair competition* focuses on the fair treatment given by the firm as it interacts with its existing and potential competitors. This includes ensuring that collusion does not occur between the firm and its competitors pertaining to factors such as price, number of products produced in geographical locations, and market share. It also includes ensuring that bribes or any other illegal financial incentives are not given to interested parties in exchange for a favorable relationship with those parties. *Procedural fairness* deals with ensuring parties that interact with the firm are treated fairly from a due process perspective. This also includes ensuring employees will not experience retaliation if they notify government officials of any illegal violations.[45]

Citizenship Principle

The citizenship principle is based on the belief that every employee should act as a responsible citizen in the community. Employees should respect the laws of the community. This includes criminal laws, as well as competition, environmental, and corporate social responsibility laws. Employees are expected to protect and preserve public goods available to the community. This includes sustainability and other environmental issues, public space issues, and legitimate government. Employees should also be cooperative with community officials. This includes notifying the proper authorities if there are health and safety issues that relate to the goods and services provided by the firm. Employees should be cognizant of unacceptable involvement in political or government issues, including illegal financial involvement or other illegal use of resources to support a political official. The employees should contribute to the general well-being of the community by volunteering to help the community through charitable organizations or other community-based programs.[46]

Responsiveness Principle

The responsiveness principle is based on the belief that employees have a responsibility to respond to requests for information about the operations from the various stakeholders. As a

result, employees must reply to stakeholders' requests for information and must be responsive to ideas presented by the stakeholders to help improve the operations of the firm. From a customer perspective, a responsive firm is one in which the goods and services offered at least meet, if not exceed, the expectations of the customers. A timely response to any complaints from the customers concerning the firm's products should also occur. Responsiveness is expected with the firm's interaction with its employees. A responsive firm is expected to react in a timely manner to resolve any outstanding issues that have been raised by the employees, interest groups, suppliers, the local community, and any other stakeholder that has a vested interest in the company.[47] Table 1.2 summarizes the eight ethical principles discussed.

In summary, this chapter exposed the complex nature of business ethics. From frameworks to guiding principles, business ethics is a multifaceted concept that has many dimensions.

TABLE 1.2 ■ Eight Ethical Principles	
Ethical Principles	**Behavior**
Fiduciary	● Act in best interest of stakeholders ● Generate positive benefits for organization ● Loyalty
Property	● Respect property and rights of owners of property ● Protect all assets of the organization
Reliability	● Honor commitments to the organization
Transparency	● Be truthful and open ● Up-to-date records ● Make informed decisions
Dignity	● Respect all individuals; treat others with dignity ● Ensure health, safety, privacy
Fairness	● Treat stakeholders fairly ● Evenly allocate resources ● Due process
Citizenship	● Be a responsible citizen within your community ● Act lawfully ● Be mindful of sustainable and environmental issues ● Cooperation ● Volunteerism and philanthropy
Responsiveness	● Respond in a timely fashion to all stakeholders ● Customer service

QUESTIONS FOR THOUGHT

1. Which of the teleological frameworks most closely match your ethical beliefs? Under what circumstances would you shift toward another of the frameworks? Would you be willing to break the law in order to survive? For example, would you steal food from an abandoned store during the aftermath of a hurricane?

2. Do you think "Greed Is Good"? Can a free market economic system survive without human greed?

3. Which of the seven deadly sins do you believe is the most serious to commit? Which of the seven deadly sins do you believe is the least serious to commit? Do you think certain sins have gained or been reduced in importance over time?

4. Using the principles set forth in the Global Business Standards Codex, find an example of a company that does or did not follow one of the principles. Discuss the implications of the company's actions.

REAL-LIFE ETHICAL DILEMMA EXERCISE

Bill Gates: Global Philanthropist

Founded in 1975 with Paul Allen, Bill Gates developed Microsoft into one of the most influential and powerful technology companies in history. In January 2000, Gates stepped down as CEO to pursue other projects including philanthropy. In that same year, the Bill and Melinda Gates Foundation was established. The catalyst of the foundation was an article the Gates had read in *The New York Times* in 1997 about the dangers of drinking contaminated water in developing countries. The underlying philosophy of the foundation is "All Lives Have Equal Value: We are impatient optimists working to reduce inequity."

In 2010, Bill Gates and his wife Melinda Gates along with Warren Buffet created the "Giving Pledge" movement which encouraged other ultra-wealthy individuals to donate much of their wealth to charity in their lifetimes or after their deaths. By 2020, over 200 families and individuals from more than 20 countries had taken the pledge to use their money for philanthropic programs. In March 2022, Bill Gates's net worth was estimated to be $135 billion.

In 2020, the Bill and Melinda Gates Foundation spent $5.8 billion on philanthropic programs. The major funding areas are Global Development, Global Health, Global Growth and Opportunity, United States Programs and Global Policy and Advocacy. Global Development areas include eliminating polio, family planning, maternal, newborn and child health, nutrition, and emergency responses. Global Health programs include treatments for malaria, HIV, tuberculosis, pneumonia, enteric and diarrheal diseases, and tropical diseases. Global Growth and Opportunity programs include agricultural development, financial services for the poor, water, sanitation and hygiene, and gender equality. The foundation has given $$60.1 billion in grant payments from its inception in 2000 through the end of 2020 and has funded programs in 135 countries.[48,49]

Questions for the Real-Life Ethical Dilemma Exercise

1. Discuss how the foundation would be addressed using each of the teleological frameworks.

2. How much money would you donate to charity if your net worth was $134 billion?

3. After his death, do you think Bill Gates will be better known as the cofounder of Microsoft or for the Bill and Melinda Gates Foundation?

GLOSSARY

analytical ethics

business ethics

contractarianism

descriptive ethics

distributive fairness

due diligence

ethical egoism

ethics

existentialism

fair competition

moral values

normative ethics

procedural fairness

reciprocal fairness

Sidgwick's dualism

Utilitarianism