

3.5: Summary

Section Summaries:

1.1 Being a Professional of Integrity

Ethics sets the standards that govern our personal and professional behavior. To conduct business ethically, we must choose to be a professional of integrity. The first steps are to ask ourselves how we define success and to understand that integrity calls on us to act in a way that is consistent with our words. There is a distinct difference between legal compliance and ethical responsibility, and the law does not fully address all ethical dilemmas that businesses face. Sound ethical practice meets the company's culture, mission, or policies above and beyond legal responsibilities. The three normative theories of ethical behavior allow us to apply reason to business decisions as we examine the result (utilitarianism), the means of achieving it (deontology), and whether our choice will help us develop a virtuous character (virtue ethics).

1.2 Ethics and Profitability

A long-term view of business success is critical for accurately measuring profitability. All the company's stakeholders benefit from managers' ethical conduct, which also increases a business's goodwill and, in turn, supports profitability. Customers and clients tend to trust a business that gives evidence of its commitment to a positive long-term impact. By exercising corporate social responsibility, or CSR, a business views itself within a broader context, as a member of society with certain implicit social obligations and responsibility for its own effects on environmental and social well-being.

1.3 Multiple versus Single Ethical Standards

The adoption of a single ethical code is the mark of a professional of integrity and is supported by the reasoned approach of each of the normative theories of business ethics. When we consistently maintain the same values regardless of the context, we are more likely to engender trust among those with whom we interact.

Key Terms

business ethics

the conduct by which companies and their agents abide by the law and respect the rights of their stakeholders, particularly their customers, clients, employees, and the surrounding community and environment

compliance

the extent to which a company conducts its business operations in accordance with applicable regulation and statutes

corporate culture

the shared beliefs, values, and behaviors that create the organizational context within which employees and managers interact

corporate social responsibility (CSR)

the practice in which a business views itself within a broader context, as a member of society with certain implicit social obligations and responsibility for its own effects on environmental and social well-being

deontology

a normative ethical theory suggesting that an ethical decision requires us to observe only the rights and duties we owe to others, and, in the context of business, act on the basis of a primary motive to do what is right by all stakeholders

ethical relativism

a view that ethics depends entirely upon context

ethics

the standards of behavior to which we hold ourselves in our personal and professional lives

goodwill

the value of a business beyond its tangible assets, usually including its reputation, the value of its brand, the attitude of its workforce, and customer relations

integrity

the adherence to a code of moral values implying trustworthiness and incorruptibility because there is unity between what we say and what we do

long-term perspective

a broad view of profit maximization that recognizes the fact that the impact of a business decision may not manifest for a long time

normative ethical theories

a group of philosophical theories that describe how people ought to behave on the basis of reason

shareholder

an individual or institution that owns stock or shares in a corporation, by definition a type of stakeholder; also called stockholder

short-term perspective

a focus on the goal of maximizing periodic (i.e., quarterly and annual) profits

social contract

an implicit agreement among societal members to cooperate for social benefit; when applied specifically to a business, it suggests a company that responsibly gives back to the society that permits it to incorporate, benefiting the community at the same time that it enriches itself

stakeholders

individuals and entities affected by a business's decisions, including customers, suppliers, investors, employees, the community, and the environment, among others

stockholder

an individual or institution that owns stock or shares in a corporation, by definition a type of stakeholder; also called shareholder

utilitarianism

a normative theory of ethics suggesting that an ethical act is the one whose consequences create the greatest good for the greatest number of people

virtue theory

a normative theory that focuses on proper conduct guided by the training we received growing up

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