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## Business Ethics



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# What is ethics?



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- A system of values concerning what is right or wrong
- A branch of philosophy that seeks to analyse and explain the distinctive nature of ethical discourse
- Arguably a defining characteristic of human civilisation
- Also integral to the concept of professionalism
- Often heavily influenced by culture and religion but not necessarily so

In answer to the question ‘How do I know what is right or wrong?’ we may be guided by:

- A set of rules, commands or instructions (which may or may not be religious in origin) that regulate behaviour
- An assessment of the consequences of our actions (such as how much happiness results)
- The personal qualities (or virtues) that motivate the behaviour

What is distinctive about *ethical* judgements is that they:

- are only relevant when our actions impact on the interests of others (including animals?) – otherwise our actions are morally neutral (which tie shall I wear today?)
- express approval or disapproval, but are more important than opinion or taste in other matters (like musical preference)
- seek to direct the behaviour of others
- are universalisable – if valid they should be valid in all similar instances
- require the exercise of free will and an absence of coercion

# Challenges – universally true?



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- If ethical values are culturally dependent what does it mean if other people disagree with us?
- If ethical values are based on universal rules, commands or similar that we somehow *perceive*, how come people often disagree?
- Is it just that someone's moral perception is defective?
- Can competing moral systems be equally valid?
- Are there some things (eg murder) that are always wrong, regardless of time and culture?
- Was slavery wrong even when it was widely accepted?



- Some have said that moral statements like “stealing is wrong” or “promise breaking is bad” have no factual content. They simply express an emotion (like “boo!” or “hurray!”).
- Therefore no meaningful moral debate can be had where two people disagree because there is no substantive content to the moral element (we can only debate the related facts). Is this right?

# Challenges – unselfish motives?



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Some argue that there can be no truly altruistic action. We are always motivated by selfish reasons or conditioning:

- Personal gain, acceptance, respect, success, esteem
- Satisfaction at thinking we are good and being seen to be good
- The promise of a reward (in this life or the next)
- Aversion to the uncomfortable feeling that accompanies wrong-doing
- Fear of being found out and exposed, perhaps even punished
- A reflex or conditioned response due to peer pressure and socialisation



If the underpinnings of ethics are religious, what determines the wrongness or rightness of certain actions?

- Are certain things wrong simply because God says so, in which case it is wholly arbitrary?
- Or does God prohibit certain things because they are inherently wrong, in which case the wrongness derives from something other than God's judgement?

If there is no religious underpinning and a person decides not to behave ethically (someone without a conscience or a sociopath) how do we persuade them?

Can we use moral arguments to make a case that we should all behave ethically?

- If so, how do we avoid the argument from becoming circular (you ought to behave ethically because you ought to)?
- If not, is it okay to ‘opt out’ of ethics?

- It is sometimes debated whether business ethics is distinct from ordinary ethics or simply ethics in a particular context with no special content
- It is further debated whether business and ethics are at odds with each other
- There is also often a suspicion that what passes for business ethics is really only about business performance (does this matter?)
- If it is a distinct field it must be something other than the normal ethical responsibilities of those who manage, act on behalf of and represent an organisation
- So what is it?



Much discussion on business ethics focuses on practical matters:

- How to create an ethical culture
- How to ensure compliance with ethical policies
- How to deal with clashes of ethical values
- How to ensure ethics genuinely informs decision-making
- How to deal with poor ethical practice
- etc

According to Frank Navran of *Training and Development* magazine only 10% of the losses through unethical behaviour arise from the high profile scandals

The other 90% (worth \$ billions) occur through the actions (or inactions) of the 'silent saboteur':

- Blaming others for bad decisions and poor results
- Allowing the boss to fail by withholding information
- Padding out budgets to build in inefficiencies
- Overpromising to win custom
- Self interest and protectionism
- Endless meetings and memos to cover oneself and avoid possible accusation of poor decision
- Under-delivering on commitments to pursue own glory
- Risk aversion as fear of failure outstrips possibility of success
- Misrepresenting own performance

# Most common unethical behaviours by employees



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- Calling in sick for a 'duvet day'
- Taking office stationery for personal use
- Personal emailing and internet surfing during work hours
- Making personal calls on business phone lines
- Overlooking wrongful behaviour by others
- Lying to cover up own or others' shortcomings
- Abuse or intimidation towards colleagues or customers
- Taking shortcuts in company procedures
- Being influenced by 'enticements' (lunch, tickets etc)
- Duplicating software for use at home
- Falsifying records eg expense claims, hours worked
- Embezzling money from the business
- Taking personal advantage of confidential information

# Justifying unethical behaviour



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- It's of no great consequence
- Everybody else does it (and I'm not the worst)
- Nobody will know
- I feel entitled to it (the company owes me)
- My boss wouldn't mind
- My boss knows – it's an open secret
- It's easier this way (takes more effort *not* to do it)
- It's the only way to do what's expected of me
- It's not actually illegal
- It has not strictly been prohibited by the organisation (no-one's told me not to do it)
- I've been doing it for ages
- It's the company's fault for not preventing me

## Unethical behaviour

- Procter and Gamble and Unilever in price fixing
- McDonalds 'McDollars, McGreedy, McCancer, McMurder, McProfits, McGarbage'
- MPs' expense scandal; greedy politicians

## Ethical behaviour

- Lush living wage
- ebay ethical auctioning
- Microsoft more ethical than Apple or Google?
- Charitable donations





## From Texas Instruments:

- Is the action legal?
- Does it comply with our values?
- If you do it, will you feel bad?
- How will it look in the newspaper?
- If you know it's wrong, don't do it!
- If you're not sure, ask.
- Keep asking until you get an answer



We need a conceptual understanding of business ethics in order to deal robustly with ethical problems

One such approach is by Sternberg (2000)

Her framework for business ethics arises out of the distinctive nature of business itself as the pursuit of long-term owner value

From this two ethical principles arise:

- *Distributive justice* – ensuring those who contribute to organisational objectives receive a suitable share of the rewards
- *Decency* – ‘honesty, fairness, the absence of physical violence and coercion, and the presumption of legality’

# References and further reading



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Enderle, Georges (1999) *International Business Ethics: Challenges and Approaches*, University of Notre Dame Press

Ferrell, OC, John Fraedrich and Linda Ferrell (2009), *Business Ethics: Ethical Decision Making and Cases*, Cengage Learning Inc.

Jennings, Marianne Moody (2009), *Business Ethics: Case Studies and Selected Readings*, Cengage Learning Inc.

Navran, Frank quoted in Online Ethics Centre  
<http://www.onlineethics.org/cms/7613.aspx> accessed 11 May 2011

Sternberg, Elaine (2000), *Just Business Ethics in Action*, Second Edition, Oxford University Press

Texas Instruments 'quick test' for ethical dilemmas:  
[www.ti.com/corp/docs/company/citizen/ethics/quicktest.shtml](http://www.ti.com/corp/docs/company/citizen/ethics/quicktest.shtml) accessed 9  
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## Ethical resources:

- [www.humanext.com/ethics.html](http://www.humanext.com/ethics.html)
- [www.ibe.org.uk](http://www.ibe.org.uk)
- [www.onlineethics.org](http://www.onlineethics.org)
- [www.ethicalcompanies.co.uk](http://www.ethicalcompanies.co.uk)
- [www.ethicalcorp.com](http://www.ethicalcorp.com)
- <http://ethisphere.com/wme2011/>

## More case studies of poor business ethics:

- [www.brighthub.com/office/entrepreneurs/articles/115557.aspx](http://www.brighthub.com/office/entrepreneurs/articles/115557.aspx)
- <http://articles.moneycentral.msn.com/Investing/Extra/the-bad-boys-of-business.aspx?slide-number=1>
- [www.onlineethics.org/cms/4745.aspx](http://www.onlineethics.org/cms/4745.aspx)

# Other resources



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Advice on writing a code of ethics:

- [www.ibe.org.uk/index.asp?upid=88&msid=66](http://www.ibe.org.uk/index.asp?upid=88&msid=66)
- [www.inc.com/guides/how-to-write-a-code-of-ethics.html](http://www.inc.com/guides/how-to-write-a-code-of-ethics.html)

Ethical assurance

- [www.ibe.org.uk/index.asp?upid=91&msid=66](http://www.ibe.org.uk/index.asp?upid=91&msid=66)

Business ethics and corporate governance:

- [www.ifc.org/ifcext/cgf.nsf/AttachmentsByTitle/FOCUS7/\\$FILE/Focus7\\_AntiCorruption.pdf](http://www.ifc.org/ifcext/cgf.nsf/AttachmentsByTitle/FOCUS7/$FILE/Focus7_AntiCorruption.pdf)

Integrity continuity planning:

- <http://gbr.pepperdine.edu/2010/08/avoiding-ethical-misconduct-disasters/>
- [www.continuityinsights.com/articles/strategic-integrity-continuity-managing-the-risks-for-corporate-integrity-in-the-post-enron-business-world](http://www.continuityinsights.com/articles/strategic-integrity-continuity-managing-the-risks-for-corporate-integrity-in-the-post-enron-business-world)

ISO 26000 Social Responsibility:

- [www.iso.org/iso/iso\\_catalogue/management\\_and\\_leadership\\_standards/social\\_responsibility/sr\\_iso26000\\_overview.htm](http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/social_responsibility/sr_iso26000_overview.htm)
- [www.greenbusinesstimes.com/2011/03/16/introducing-iso-26000-guidance-on-social-responsibility/](http://www.greenbusinesstimes.com/2011/03/16/introducing-iso-26000-guidance-on-social-responsibility/)
- [www.ethicalcorp.com/content.asp?contentid=7265](http://www.ethicalcorp.com/content.asp?contentid=7265)