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UNIT 1 Ethics, Values, and Social Responsibility in Business

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- 1. Thinking Ethically: A Framework for Moral Decision Making**, Manuel Velasquez et al., *Issues in Ethics*, Winter 1996
Outlined here are key steps and five different approaches to dealing with moral issues and helping to resolve ethical dilemmas. The five approaches include the utilitarian approach, the rights approach, the fairness or justice approach, the common-good approach, and the virtue approach. Given an understanding of the five approaches, then five questions are presented to ask in resolving a moral issue. 2
- 2. Designing Honesty into Your Organization**, Christian Mastilak et al., *Strategic Finance*, December 2011
How does a manager design honesty into her/his organization? Is it possible to design in honesty and make the concept of honesty part of an organization's culture? This article argues in the affirmative and offers six key steps toward designing honesty into an organization. 5
- 3. Fairness in Business: Does It Matter, and What Does It Mean?** Joel D. Rubin, *Business Horizons*, 2012
Does fairness have a place in business? Rubin explores the concept of fairness in business and why it matters. Among aspects of the concept of fairness explored in the article are the questions of why be fair and what it means to be fair. A particularly interesting and timely section in the article examines fairness in the allocation of limited resources. 9
- 4. Building an Ethical Framework**, Thomas R. Krause and Paul J. Voss, *CRO*, May/June 2007
The authors examine ten questions that should be considered to build an ethical framework and to encourage an ethical corporate culture. 13
- 5. Is Business Ethics Getting Better? A Historical Perspective**, Joanne B. Ciulla, *Business Ethics Quarterly*, April 2011
If we fail to study history, we may find history repeating itself on us. The author, in a Society for Business Ethics Presidential Address, provides historical examples of ethical issues and discusses Harvard Business School's early attempts to use business history in teaching business ethics. 15
- 6. Principles for Building an Ethical Organization**, Miriam Schulman, Markkula Center for Applied Ethics, Santa Clara University, June 2007
The author presents five principles for building an ethical organization offered by R. Gopalakrishnan to a group of executives during a Markkula Center lecture in June 2007. The principles are based on personal experience, company folklore, and Indian mythology. 20

The concepts in bold italics are developed in the article. For further expansion, please refer to the Topic Guide.

7. What's at the Core of Corporate Wrongdoing? Eleanor Bloxham, *CNN/Money*, December 29, 2011

Why are some managers motivated to cover up losses and other instances of corporate wrongdoing while other managers never would contemplate such cover-up activity? Bloxham suggests that responsibility for corporate culture begins at the top—at the board of directors' level. She also suggests similar responsibility for individuals at other levels in an organization.

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UNIT 2

Ethical Issues and Dilemmas in the Workplace

Unit Overview

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Part A. *Morals in the Market and Workplace*

8. Markets and Morals, Nicholas D. Kristof, *The New York Times*, May 31, 2012

Several questions are posed in the article about the level of morality in the marketplace. Are we in an age of the “marketization of everything” as suggested in the article? What are some implications of marketization both for an individual, a business firm, as well as for society as a whole and for society?

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9. Morals and the Machine, *The Economist*, June 2, 2012

This article mentions the emergence of the field of machine ethics. The increasing use across the world of robots and drones, and soon driverless cars, leads to interesting questions about ethics in the utilization of computer-controlled machinery. The article identifies three laws of robotics developed by Isaac Asimov in 1942. To these three laws, the article suggests an additional “three laws for the laws of robotics.”

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Part B. *Organizational Misconduct and Crime*

10. Ethical Leadership and the Dual Roles of Examples, Arlen W. Langvardt, *Business Horizons*, 2012

The Penn State University sexual abuse scandal is used as a case example to draw lessons of the necessity of ethical leadership. Seven lessons for ethical leadership are presented and analyzed. Obstacles to learning the lesson of ethical leadership are identified.

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11. Unfair Business Practices, Vadim Liberman

What happens when some employees receive perks, those employees most likely being in senior-level positions, and lower-ranking employees do not receive perks? Are there questions of ethics and fairness in such situations? Should everyone be entitled to perks? What is the concept of fairness through inequality? These and other questions are addressed in this interesting article.

41

12. Under Pressure, Teachers Tamper with Test Scores, Trip Gabriel, *NewYorkTimes.com*, June 10, 2010

Recent scandals illustrate the many ways, some subtle, that educators improperly boost students' test scores. Three examples of recent scandals are identified, with a particular Georgia-based scandal analyzed in greater detail.

47

13. Investigation into APS (Atlanta Public Schools) Cheating Finds Unethical Behavior Across Every Level, Heather Vogell, *The Atlanta Journal-Constitution*, July 6, 2011

Ethical issues presented in this article involve teachers who reportedly cheated due to fear of retaliation if they did not erase and correct mistakes on students' standardized test answer sheets and administrators who reportedly denied all allegations of cheating. Also, examined are examples of ways educators tampered with test results and three key reasons why cheating was permitted to flourish in Atlanta Public Schools.

49

- 14. When You're Most Vulnerable to Fraud**, Rob Johnson, *The Wall Street Journal*, August 16, 2010
 Rob Johnson describes a sad situation for small businesses—when times are great—watch out, since this is the time when entrepreneurs are most vulnerable to fraud. This article features a special section wherein experts offer tips to protect a company from fraud. 52
- 15. When Good People Do Bad Things at Work**, Dennis J. Moberg, *Issues in Ethics*, Fall 1999, Markkula Center for Applied Ethics, Santa Clara University
 The author identifies three problems—scripts, distractions, and moral exclusion—as explanations why good people do bad things at work. 56
- 16. Behind the Murdoch Scandal? Scandalous Governance**, Geoff Colvin, *Fortune*, August 15, 2011
 The author cites companies such as Enron, WorldCom, Tyco, Adelphia, Parmalat, Health-South, and News Corp as examples of scandalous governance while each was led by one powerful person in growing from a small enterprise to a large publicly traded organization. To the three problems identified in the preceding article by Moberg—scripts, distractions, moral exclusion—Colvin adds a fourth problem—the one-man problem. 59

Part C. Sexual Treatment of Employees

- 17. American Apparel and the Ethics of a Sexually Charged Workplace**, Gael O'Brien, *Business Ethics*, March 15, 2011
 A company, American Apparel, whose alleged philosophy of sexual freedom in the workplace faces pending litigation for sexual harassment and creating a hostile work environment. These litigation problems allegedly spring from the CEO's philosophy concerning consensual sexual freedom in the workplace. He stated, "I think it's a first Amendment right to pursue one's affection for another human being." 61
- 18. What the Wal-Mart Ruling Means for Big Business**, Roger Parloff, *Fortune*, June 20, 2011
 In a class-action sex discrimination lawsuit, the Supreme Court ruled 5–4 in Wal-Mart's favor. At issue was a claim of unconscious discrimination by the company in giving managers wide discretion in making pay and promotion decisions when allegedly many managers were of the male gender. 63

Part D. Discriminatory and Prejudicial Practices

- 19. Older Workers: Running to the Courthouse?**, Robert J. Grossman, *HR Magazine*, June 2008
 Robert Grossman reflects on the question: "Do greater numbers of baby boomers result in more age discrimination suits?" The author suggests the answer may be no, given that while "age filings did inch up, but in context the overall number remains minuscule." 65
- 20. Fighting the High Cost of "Getting Even" at Work**, Anne Fisher, *Fortune*, August 16, 2011
 The U.S. Equal Opportunity Commission reports that retaliation complaints now surpassed racial discrimination complaints as the number one employee lawsuit. Such employee retaliation lawsuits reportedly are difficult for companies to prevail in. The author suggests five tactics a company might employ when facing an employee retaliation lawsuit. 69
- 21. Values-Driven HR**, Bill Roberts, *HR Magazine*, March 2012
 A brief case study centered on Juniper Networks, Inc. about how to instill values throughout an organization, thereby perhaps preventing discriminatory and prejudicial practices such as those highlighted in other articles in this book. Juniper Networks is "re-energizing company values across its more than 9,100 employees in 46 countries." The article presents Juniper's Values Blueprint as a tool behind its values-centric culture. 71

Part E. Downsizing of the Work Force

- 22. Cost Reductions, Downsizing-related Layoffs, and HR Practices**, Franco Gandolfi, *SAM Advanced Management Journal*, Summer 2008
When firms need to cut costs, too often they start laying people off. Layoffs, according to the author, should be the last resort, not the first, because of their widespread negative effects. Rather than using layoffs as the first or only approach to cut costs, the author suggests that managers employ a strategy of short-range cost adjustments, such as a reduced work-week; medium-range cost adjustments, such as voluntary sabbaticals; followed by long-range cost adjustments, where layoffs will then be one of the options on the table. 75
- 23. People Have to Come Before Profits, Even in a Crisis**, Alistair Nicholas, MercatorNet, March 21, 2011
The author argues that the most important lesson from the Fukushima Daiichi nuclear power plant disaster is that training in ethical decision making must be part of crisis preparedness training so as to ensure that “people must come before profits—always and unconditionally.” 82

Part F. Whistleblowing in the Organization

- 24. Deep Throat’s Lessons for Whistle-Blowers**, Patricia O’Connell, *Bloomberg Business Week*, June 3, 2005
Learn the seven lessons for whistleblowers taken from the experience of Mark Felt, the so-called deep throat of the Watergate scandal. One of the seven lessons is that one person in blowing a whistle often can make a difference. But, a corollary is that one person may not be enough to blow a whistle effectively. 84
- 25. Whistleblowers: Why You Should Heed Their Warnings**, Jack and Suzy Welch, *Fortune*, June 11, 2012
At times, whistleblowers are ignored too easily. Jack and Suzy Welch advance compelling reasons for always heeding a whistleblower’s warning. The situation of the Wal-Mart bribery allegations occurring in Mexico is used to illustrate the importance of taking “every whistleblower at his word.” 86
- 26. The Unexpected Cost of Staying Silent**, Amy Fredin, *Strategic Finance*, April 2012
In an empirically based article, the author explores the regret felt by individuals in situations of not blowing a whistle when a whistle should have been blown. The reasons for not blowing the whistle are documented by empirical research. Fear of retaliation is the most common reason reported for not blowing the whistle. The level of regret experienced is related to the type of reported wrongdoing that was not reported. 88
- 27. SEC Rule Will Let Whistle-Blowers Bypass Internal Programs**, Jesse Hamilton, *Bloomberg Business Week*, May 25, 2011
As part of a new bounty system under the Dodd-Frank Act, corporate whistle-blowers now will collect up to 30 percent of penalties for reporting financial wrongdoing, even if internal reporting systems are bypassed. The U. S. Chamber of Commerce is concerned the new SEC rule might leave “expensive, robust compliance programs collecting dust” as employees bypass corporate systems and go straight to the SEC with reports of financial malfeasance. 94

Part G. Handling Ethical Dilemmas at Work

- 28. The Parable of the Sadhu**, Bowen H. McCoy, *Harvard Business Review*, May/June 1997
The parable presented in this reading has significance for managers as they encounter ethical dilemmas that involve merging the individual ethic (personal values) and the corporate ethic (organizational values) to make the best decisions within the corporate culture. Bowen McCoy stresses the importance of management agreeing on a process for dealing with dilemmas and conflicts of interest. 96
- 29. Fact Sheet: We Can’t Wait: White House Launches Ethics.gov to Promote Government Accountability and Transparency**, The White House Office of the Press Secretary
The Obama Administration’s effort to support transparency and governmental accountability is described in this fact sheet. 102



UNIT 3

Business and Society: Contemporary Ethical, Social, and Environmental Issues

Unit Overview

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Part A. Changing Perspectives In Business and Society

30. Trust in the Marketplace, John E. Richardson and Linnea Bernard McCord, 2000

The authors scrutinize the significance of companies being cognizant of the precarious nature and powerful advantages of gaining and maintaining trust with their customers in the marketplace. Trust is identified as an essential concomitant of ethics. Trust requires confidence in organizational promises, integrity, and demonstrated well-being for others. The authors identify several examples of practices causing companies to lose consumers' trust.

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Part B. Contemporary Ethical Issues

31. Privacy and the Internet: Lives of Others, *The Economist*, May 22, 2010

Facebook and Google face a backlash, from users and regulators alike, over the way they have handled sensitive data.

109

32. Automotive “Black Boxes” Raise Privacy Issues, G. Chambers Williams, III, *USA Today*, October 16, 2011

This article examines the privacy issue surrounding the increasing use of so-called automotive black boxes. These black boxes record a person's driving behavior even if he/she has not given permission for the recordings. From an ethical viewpoint, there are positive and negative aspects of such recordings?

111

33. Digital-Privacy Rules Taking Shape, Julia Angwin, *The Wall Street Journal*, March 26, 2012

This article reports on the action by the Federal Trade Commission calling for better privacy practices as well as comprehensive privacy legislation. Among things being suggested are the implementation of a “Do Not Track” button in Web browsers and better control of off-line data brokers who buy and sell personal information. The FTC is hopeful that industry will adopt voluntary guidelines for digital privacy.

113

34. The Ethics of Social Media—Part I: Adjusting to a 24/7 World, James Hyatt, *Business Ethics*, December 14, 2010

The new dilemmas for management in an era of social media and the need for improved internal controls, revised codes of ethics, and new policies are discussed. The need for companies to develop a social media policy is stressed. Several examples of acceptable social media conduct by employees are presented.

114

35. The Ethics of Social Media—Part II: Playing by New Rules, James Hyatt, *Business Ethics*, November 19, 2010

In part two of a series, the author examines various examples of how organizations are facing the social media challenge, including using such new services such as ReputationDefender, MyEdgePro, MyPrivacy, Cisco SocialMiner, and E-mail Analytics.

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Part C. Global Ethics

36. Challenges of Governing Globally, Marc J. Epstein, *Strategic Management*, July 2012

The author analyzes the salient characteristics of three different global corporate governance systems. An analysis of different governing systems arguably will enable managers to manage more effectively in various host countries around the world. Differing governing systems likely have differing implications for the placement of ethics programs in host country operations.

120

- 37. Ethics Must Be Global, Not Local**, Bill George, *Bloomberg Business Week*, February 12, 2008
The author argues “the only way to build a great global company is with a single global standard of business practices, vigorously communicated and rigorously enforced. To sustain their success, companies must follow the same standards of business conduct in Shanghai, Mumbai, Kiev, and Riyadh as in Chicago.” 127
- 38. Conceptualizing a Framework for Global Business Ethics**, William J. Kehoe, *Rights, Relationships and Responsibilities: Business Ethics and Social Impact Management*, Fall 2003
What are important considerations in developing a global code of ethics? An eight-stage framework for global business ethics is developed. The framework begins with the stage of understanding the orientation of a firm and concludes with recommendations for promulgating and using a framework of global business ethics. 129
- 39. Revisiting the Global Business Ethics Question**, Christopher Michaelson, *Business Ethics Quarterly*, April 2010
When in another country, do you do what is practiced there in terms of business ethics even if it is in conflict with your home-country code of ethics? Said another way, should home-country moral codes trump morals in host-country markets around the world? 143
- 40. Taking Your Code to China**, Kirk O. Hanson and Stephan Rothlin, *Journal of International Business Ethics*, January 2010
The authors explain why it is so difficult for managers of U.S.-based firms to take codes of ethics from a home country to host countries. Examples of successes are presented. Special reasons are suggested why operating in China is difficult and shaping a code of ethics to China is discussed. An interesting section in the article concerns the importance of doing whistleblowing the Chinese way. 152
- 41. Moral Hazard**, Rob Cox, *Newsweek*, May 7, 2012
Is it possible for a U.S. company to compete elsewhere in the world, especially in developing countries, without bribery? Or, is bribery always a necessity? This article approached these questions with an examination of the recent case of Wal-Mart’s alleged bribery in Mexico. What will be Wal-Mart’s likely response to the allegations? The author notes that “public companies like Wal-Mart almost never fight back in court against the government because the risks of losing are far too great.” 159
- 42. Wal-Mart Hushed Up a Vast Mexican Bribery Case**, David Barstow, Alejandra Xanic, and James C. McKinley Jr. *The New York Times*, April 21, 2012
A case-study like article examining allegations of bribery by Wal-Mart while operating in Mexico. The article discusses how the bribery allegations emerged, the initial response from Wal-Mart, presents details of Wal-Mart’s internal investigations, examines how certain executives deflected blame, and other such topics. 160

Part D. Ethics, Environment, and Sustainability

- 43. What Really Drives Value in Corporate Responsibility?**, CB Bhattacharya, Daniel Korschun, and Sankar Sen, *McKinsey Quarterly*, December 2011
The authors examine the relationship of corporate responsibility, product quality, and consumer purchase intention. Companies are reported as paying more attention to the “social and environmental footprints of business.” Companies are seeking to be greener, or at least to be perceived as being greener. The authors suggest three basic principles for having stakeholders interpret corporate-responsibility initiatives more accurately and positively. 169
- 44. Doing More Good**, Jodi Chavez, *Strategic Finance*, December 2011
Several ways for a company to be a better corporate citizen are identified and discussed. The so-called business case for being charitable is examined. Seven ways for achieving competitive advantage through good corporate citizenship are posited. Six ways to put corporate responsibility into action are identified and discussed. 171

- 45. Necessary but Not Sufficient: An Exploration of Where CR Begins—and Ends**, Peter A. Soyka, *CR Magazine*, May/June 2012
The importance of recognizing and acting upon sustainability issues are posited as factors driving long-term business success. The article differentiates corporate social responsibility (CSR) and corporate responsibility (CR). Sustainability is defined in the article and the attributes of a sustainable organization are identified and discussed. **174**
- 46. Cause for Concern**, Christine Birkner, *Marketing News*, March 31, 2012
The conservation of water as the leading environmental issue in the 21st century is argued. Examples of various firms' efforts at water conservation are presented. While some firms are improving their water conservations efforts, why are so many consumers and business firms seemingly ignoring the issue of water conservation? What are the ethical underpinnings of ignoring a serious environmental issue? **178**



UNIT 4

Ethics and Social Responsibility in the Marketplace

Unit Overview **182**

Part A. Marketing Strategy and Ethics

- 47. Honest Innovation**, Calvin L. Hodock, *Marketing Management*, March/April 2009
Ethics issues in new product development could be stalling innovation growth. Sections on “unconscious marketing dishonesty” and “conscious marketing dishonesty” are featured in the article. Seven recommendations are offered to ensure for being ethical in new product development. **184**
- 48. Serving Unfair Customers**, Leonard L. Berry and Kathleen Seiders, *Business Horizons*, 2008
Companies commonly adapt “The customer is always right” maxim as a basic premise for delivery of quality service. A close examination of customer behavior, however, reveals that customers can be not only wrong but also blatantly unjust. **187**

Part B. Ethical Practices in the Marketplace

- 49. First, Make Money. Also, Do Good**, Steve Lohr, *The New York Times*, August 13, 2011
The concept that companies can do well by doing good underpins this article. **194**
- 50. Doing Good to Do Well**, Anne Tergesen, *The Wall Street Journal*, January 9, 2012
Various examples of companies doing good in order to do well are presented in the article. Companies, among others, include Dow Corning Corporation, PepsiCo, FedEx, Intel Corporation, Pfizer Inc., and IBM, a company that sent some 1,499 employees abroad since 2006 as part of its Corporate Service Corps. **196**



UNIT 5

Developing the Future Ethos and Social Responsibility of Business

Unit Overview **198**

- 51. Creating an Ethical Culture**, David Gebler, JD, *Strategic Finance*, May 2006
David Gebler examines how values-based ethics programs can help employees judge right from wrong. Seven levels of an ethical organization are presented and analyzed. **200**

- 52. Outside-the-Box Ethics**, Luis Ramos, *Leadership Excellence*, April 2009
Luis Ramos discusses five key characteristics of an ethical culture. The five characteristics are argued to set companies apart by having an ethical culture from companies not adhering to the five characteristics. **204**
- 53. Hiring Character**, Dana Telford and Adrian Gostick, *Integrity Works*, June 2005
In an excerpt from Dana Telford and Adrian Gostick's book, *Integrity Works*, they present a look at business leader Warren Buffett's practice of hiring people based on their integrity. A list of twenty questions is presented that might be asked of job candidates to learn more about their character. **206**
- 54. Strategic Organizational Diversity: A Model?** Frederick Tesch and Frederick Maidment, *The International Journal of Diversity in Organizations, Communities and Nations*, August 6, 2009
Contemporary organizations pursue diversity for many reasons—for example, economic, ethical, regulatory, legal, and social. Ideally, an organization's human diversity matches its strategic goals. Little attention has been given, however, to a theoretical basis for diversity as an organizational goal. Modigliani's theory of diversity in investments might provide a model for managing an organization's human diversity and reducing its business risks. **210**
- 55. Fiduciary Principles: Corporate Responsibilities to Stakeholders**, Susan C. Atherton, Mark S. Blodgett, and Charles A. Atherton, *Journal of Religion and Business Ethics*, September 10, 2011
The article examines the origins of the fiduciary concept in shaping the ethical and moral duties of managers. Several studies are cited, including the responsibility of corporate boards having "a fiduciary duty to make ethics-based decisions." **214**
- 56. United Technologies' \$1 Billion Employee College Plan**, Allan Sloan and Stanley Bing, *Fortune*, May 21, 2012
Can a company do good things during difficult economic times? This article examines a company doing good things for its employees during bad times. United Technologies Corporation's Employee Scholar Program pays for undergraduate or graduate degrees its employees want to pursue and also gives each employee \$5000 of the company's stock upon completion of a degree. While the company has capped the dollar amount of the benefit in recent years at \$40,000 for an undergraduate degree, the program has helped a reported 32,000 UTC employees receive undergraduate and graduate degrees. This is an example of a business firm during good during difficult economic times. **221**
- 57. A Time for Ethical Self-Assessment**, Rick Wartzman, *Bloomberg Businessweek*, December 23, 2008
What kind of person do you see when you look in the mirror. That is, when you do an ethical self-assessment, what kind of person do you see? Peter Drucker called that question "the mirror test," or the "ethics of prudence." **223**
- Test-Your-Knowledge Form*** **225**