BBA 7332
Business Ethics
Study Module

স্কুল অব বিজনেস

SCHOOL OF BUSINESS

বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়
BANGLADESH OPEN UNIVERSITY

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Business Ethics

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Table of Contents

Introduction to Business Ethics

1

Unit Highlights

- Meaning and Definition of Ethics and Business Ethics
- Types of Ethical Study
- Morality in Business
- History and Development of Business Ethics
- Individual Ethics and Value Orientation
- Distinctions: Ethics vs. Morality vs. Etiquette vs. Law
- Use and Scope of Studying Business Ethics

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson – 1: Introduction to Business Ethics

Learning Objectives

By the end of this chapter, the student will be able to:

- Define and differentiate between Ethics, Morality, and Business Ethics.
- Identify the four main types of ethical study.
- Analyze the historical evolution of ethical standards in the corporate world.
- Distinguish between legal requirements, social etiquette, and moral obligations.
- Evaluate the importance of value orientation and individual ethics in decision-making.

Business ethics are the cornerstone of a positive workplace culture. A company's behaviour is now evaluated on its integrity rather than just its profit margins in an era of global interconnectedness. This chapter covers the core concepts of ethics, its historical development, and its practical applications in business. The "moral character" of a company has become a crucial factor in determining its long-term profitability and social license to operate as the modern economy becomes more open.

Lesson 1.1: Meaning and definition of Ethics and Business Ethics

The phrases "Ethics" and "Business Ethics" are frequently employed as the moral compass for both individuals and corporate entities in today's academic debate. Business ethics applies these philosophical rigours to the intricacies of the marketplace, whereas ethics offers the theoretical basis for differentiating between good and wrong. The language origins, conceptual meanings, and authoritative definitions of these terms—as given by distinguished academics and jurists—are examined in this section.

1. Meaning and Definition of Ethics

The term Ethics is derived from the Greek word *'Ethos'*, which refers to character, custom, or sentiment. In a scholarly sense, it is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct. It seeks to answer the fundamental question: *"How should we live?"*

Scholarly Definitions:

William Frankena: A prominent moral philosopher, Frankena defines ethics as a "branch of philosophy; it is moral philosophy or philosophical thinking about morality, moral problems, and moral judgments."

Kenneth Kernaghan: He defines ethics as being "concerned not only with distinguishing right from wrong and good from bad but also with a commitment to do what is right or what is good."

The Britannica View: It defines ethics as "the discipline concerned with what is morally good and bad and morally right and wrong," emphasizing its role as a systematic study of moral values.

2. Meaning and Definition of Business Ethics

One type of applied ethics is business ethics, sometimes referred to as corporate ethics. In the corporate world, it refers to the modern organizational rules, principles, sets of values, and conventions that control an individual's or an organization's conduct. It is the "moral minimum" necessary to guarantee a company's stakeholders' trust.

Scholarly Definitions:

Andrew Crane and Dirk Matten: They define business ethics as "the study of business situations, activities, and decisions where issues of right and wrong are addressed."

Laura Nash: A noted Harvard researcher, Nash defines it as "the study of how personal moral norms apply to the activities and goals of commercial enterprise. It is not a separate moral standard, but the study of how the business context poses its own unique problems."

Kirk O. Hanson: The former Executive Director of the Markkula Center defines it as "the study of the standards of business behavior which promote human welfare and the good."

Institute of Business Ethics (IBE): Defines it simply as "the application of ethical values to business behavior."

Comparison Table: Ethics vs. Business Ethics

Feature	Ethics	Business Ethics
Origin	Greek *'Ethos'* (Character)	Application of *Ethos* to Commerce
Scope	General human conduct and life	Conduct within a commercial context
Nature	Philosophical and Abstract	Practical and Applied
Primary Goal	To determine the ultimate "Good"	To balance profit with social responsibility

In summary, business ethics is the specific application of ethical concepts in the corporate world, whereas ethics is the general philosophical basis for human behaviour. Academics such as Frankena and Nash remind us that ethics is a proactive commitment to integrity and human welfare rather than just a collection of laws to be obeyed out of fear of the law. These criteria serve as a reminder that a company cannot thrive in a moral vacuum in the contemporary global market; its long-term success is intrinsically related to its ethical character.

Lesson 1.2: Types of Ethical Study

In the academic pursuit of Business Ethics, it is essential to categorize how we approach moral questions. Scholars do not merely "do" ethics in one way; rather, they employ different methodologies depending on whether they are describing behavior, prescribing rules, or analyzing the meaning of moral language. These approaches are generally classified into four distinct types of ethical study: Descriptive, Normative, Meta-ethics, and Applied Ethics.

1. Descriptive Ethics

Descriptive ethics is the factual study of the moral beliefs and behaviors of individuals or groups.[1] It is often referred to as **Comparative Ethics**.[2] Unlike other forms, it does not judge; it merely observes and records.[3]

Focus: It answers the question, "What do people *believe* is right?"[4]

Scholarly View: Social scientists like **Lawrence Kohlberg**, who studied the stages of moral development, operate within this realm.[5] They describe how people's moral reasoning changes over time without necessarily stating which stage is "the best."[6]

Business Context: A survey showing that 60% of employees find "padding" expense reports acceptable is a piece of descriptive ethics.

2. Normative Ethics

Normative ethics is the heart of most business ethics courses. It involves the attempt to arrive at moral standards that regulate right and wrong conduct.[7] It is prescriptive—it tells us what we *ought* to do.[8]

Focus: It answers the question, "What *should* be the moral standard?"

Scholarly View: This branch includes the great theories of Western philosophy, such as **Utilitarianism** (Jeremy Bentham/John Stuart Mill) and **Deontology** (Immanuel Kant).

Business Context: Developing a Corporate Code of Conduct that mandates honesty in advertising is an exercise in normative ethics.[9]

3. Meta-Ethics

Meta-ethics is a highly abstract level of study.[10] It does not ask "Is stealing wrong?" but rather "What does the word 'wrong' actually mean?" It investigates the origin and nature of ethical concepts.[11]

Focus: It answers the question, "What is the nature of ethical claims?"

Scholarly View: G.E. Moore, in his work *Principia Ethica*, explored the "naturalistic fallacy," arguing that "good" is a simple, non-definable property.[12]

Business Context: A discussion on whether "Corporate Responsibility" is a objective truth or just a social construct falls under meta-ethics.

4. Applied Ethics

Applied ethics is the branch of ethics which consists of the analysis of specific, controversial moral issues.[13] It uses the tools of normative ethics to resolve real-world dilemmas.

Focus: It answers the question, "How do we apply moral principles to this specific case?"[14]

Business Context: This includes issues like environmental protection, whistleblowing, affirmative action, and the ethics of Artificial Intelligence in the workplace.

Summary Table: Comparison of Ethical Studies

Type	Nature	Primary Question	Business Example
Descriptive	Scientific/Factual	What is happening?	Surveying industry bribery rates.
Normative	Prescriptive	What *ought* to happen?	Establishing that bribery is wrong.
Meta-Ethics	Analytical	What does "wrong" mean?	Debating the definition of "justice."
Applied	Practical	How do we solve this?	Deciding if a specific gift is a bribe.

To conclude, the study of ethics is multi-dimensional. While Descriptive ethics provides the data and Meta-ethics provides the linguistic clarity, it is Normative and Applied ethics that offer the practical guidance necessary for corporate decision-making. As noted by Richard DeGeorge, a leading figure in the field, a comprehensive understanding of business ethics requires us to move beyond simply knowing what people *do* (descriptive) to understanding the rational justifications for what we *should do* (normative) in specific commercial circumstances.

Lesson 1.3: Morality in Business

While "Ethics" is often viewed as the theoretical study of right and wrong, Morality is the practical application of those beliefs in daily life. In the corporate world, morality acts as the "informal" framework of values that guides how employees and leaders interact, beyond what is explicitly written in legal statutes. This section examines the essence of morality within a business context, highlighting its subjective nature and its role as the foundation for institutional trust.

1. Meaning and Definition of Morality

The word Morality is derived from the Latin word *'Moralis'*, which means customs, manners, or patterns of behavior.[1] It refers to the specific beliefs, habits, and social standards that a society or culture adopts to define right and wrong.[2]

Scholarly Definitions:

Richard De George: A leading authority in business ethics, De George views morality as a "social institution" composed of standards that help us distinguish between what is acceptable and what is not within a community.

Stanford Encyclopedia of Philosophy: Defines morality in its descriptive sense as "certain codes of conduct put forward by a society or a group (such as a religion), or accepted by an individual for her own behavior."

Crane and Matten: They emphasize that morality is concerned with "the norms, values, and beliefs embedded in social processes which define right and wrong for an individual or a community."[3]

2. The Role of Morality in Business

One common definition of morality in business is the "Moral Minimum." Profit may be a company's main objective, but morality makes sure that this endeavour doesn't violate stakeholders' basic dignity.

(a) **Personal vs. Corporate Morality:** Every business decision starts with an individual. A manager's personal morality (shaped by family, religion, and culture) often influences the "Moral Tone" of the organization.

(b) **Informal Regulation:** Morality regulates behavior in areas where the law is silent.[4] For example, the law may not punish a manager for being disrespectful to a subordinate, but morality dictates that every person deserves dignity.

(c) **Trust Building:** Business transactions rely on the moral assumption of honesty.5 Without a shared morality, the "cost of doing business" would skyrocket due to the need for constant monitoring and legal contracts.

3. Key Elements of Business Morality

(a) **Subjectivity:** Unlike law, which is objective and written, morality is often subjective and varies across cultures (e.g., what is considered a "moral" wage in one country may be different in another).[6]

(b) **Internal Enforcement:** Morality is enforced by one's **conscience** or social pressure (guilt, shame, or reputation), whereas law is enforced by state sanctions.

(c) **The Golden Rule:** Many business moralities are rooted in the "Golden Rule"—treating customers and employees as one would wish to be treated.

Comparison: Ethics vs. Morality

Feature	Ethics	Morality
Root Word	Greek *'Ethos'* (Character)	Latin *'Moralis'* (Custom)
Nature	Theoretical / Philosophical	Practical / Behavioral
Focus	The *study* of right and wrong	The *practice* of right and wrong
Example	Analyzing why lying is wrong.	Choosing not to lie to a client.

To conclude, morality in business is the lifeblood of corporate culture. It provides the "spirit" of the rules that ethics seeks to define and law seeks to enforce. As Andrew Crane rightly notes, business ethics is the study of situations where morality is put to the test.[7] For a business to be truly sustainable, it must go beyond legal compliance and embed a deep sense of morality into its everyday operations, recognizing that integrity is often the most valuable asset on a balance sheet.[8]

Lesson 1.4: History and Development of Business Ethics

The history of business ethics is a chronicle of the evolving relationship between commercial enterprise and social values. While the term "Business Ethics" is relatively modern, the underlying concern for fairness and integrity in trade is as old as civilization itself. Historically, this development can be viewed through two lenses: the "Ethics in Business" (the long-standing practice of moral trade) and "Business Ethics" (the formal academic discipline that emerged in the 20th century).

1. Ancient and Religious Roots (Pre-Industrial Era)

Before it was an academic field, business conduct was governed by religious and philosophical traditions.[1]

Ancient Philosophers: Aristotle discussed the concept of "Distributive Justice" and the morality of exchange in his *Nicomachean Ethics*.[2]

Religious Influence: Major world religions provided the earliest "codes of conduct." The Bible prohibited usury and emphasized honest weights and measures; the Islamic tradition established the *Sharia* principles of fair trade and risk-sharing; and the Tamil Tirukkuṛaḷ (c. 300 BCE) offered verses on the morality of wealth acquisition.

2. The Industrial Revolution and the Gilded Age (1800s – Early 1900s)

The rise of large-scale industry shifted the focus toward productivity, often at the cost of ethics.

Exploitation: This era was marked by child labor, unsafe working conditions, and the rise of "Robber Barons" like Vanderbilt and Rockefeller.

The Muckrakers: Early investigative journalists (muckrakers) began exposing corporate corruption, leading to the first significant government regulations, such as the Sherman Antitrust Act (1890).

3. The Birth of Social Responsibility (1960s)3

The 1960s saw a paradigm shift in the United States and Europe.[4]

Social Activism: The Civil Rights Movement and the rise of environmentalism forced businesses to look beyond profit.

Consumer Bill of Rights: In 1962, President **John F. Kennedy** outlined the "Consumer Bill of Rights" (the right to safety, to be informed, to choose, and to be heard), which fundamentally changed the ethical obligations of firms toward their customers.[5]

4. Emergence as an Academic Field (1970s – 1980s)

This is the era when "Business Ethics" was officially coined and institutionalized.

Formalization: In 1974, the first conference on Business Ethics was held at the University of Kansas.[7]

Scholarly Pioneers: Philosophers like Richard De George, Norman Bowie, and Patricia Werhane began applying ethical theories (Utilitarianism, Deontology) specifically to business dilemmas.[8]

Stakeholder Theory: In 1984, **R.[9] Edward Freeman** published *Strategic Management: A Stakeholder Approach*, arguing that managers have a moral duty to anyone affected by their business, not just shareholders.

5. The Modern Era: Governance and Global Ethics (1990s – Present)

Following massive corporate scandals (e.g., Enron, WorldCom), the focus shifted toward accountability and transparency.

Legislative Response: Laws like the Sarbanes-Oxley Act (2002) were enacted to mandate ethical accounting.[10]

Digital and Global Focus: Today, the field addresses modern complexities such as Data Privacy, Artificial Intelligence (AI) Ethics, and Global Supply Chain human rights.

Summary of Development Phases

Era	Focus	Key Driver
Ancient	Individual Honesty	Religious and Philosophical texts
Industrial	Profit at any cost	Capitalism and Machine Age
1960s	Social Issues	Civil Rights & Environmentalism
1970s/80s	Academic Field	Philosophical Research & Stakeholder Theory
2000s+	Global Governance	Technology, Globalization, and Scandals

In conclusion, the development of business ethics has moved from informal religious guidance to a sophisticated, multi-disciplinary field of study.[11] As Richard De George notes, the field has transitioned through several "strands"—from simple ethics in business to the institutionalization of ethical committees and training.[12] Today, business ethics is no longer an optional "extra" but an essential requirement for corporate survival in a transparent, globalized world.

Lesson 1.5: Individual Ethics and value Orientation

While organizations establish broad policies and codes of conduct, the actual execution of ethical behavior rests upon the shoulders of the individual. "Individual Ethics" refers to the personal moral principles that guide an employee's or manager's actions, while "Value Orientation" describes the systematic way an individual or organization prioritizes these principles. In the business world, the intersection of personal values and corporate expectations is where the most significant ethical challenges—and triumphs—occur.

1. Individual Ethics

Individual ethics are the personal standards that a person uses to determine right from wrong.[1] In a professional setting, these act as the internal "gatekeeper" for decision-making.

Factors Shaping Individual Ethics:

1. **Family and Upbringing:** The primary source of moral values during childhood.
2. **Religious Beliefs:** Divine commands and spiritual traditions often provide a firm moral foundation.
3. **Education and Peer Influence:** Interaction with colleagues and formal training can refine or alter one's ethical perspective.[2]
4. **Experience:** Past dilemmas and their outcomes shape an individual's "moral maturity."

Scholarly View: Lawrence Kohlberg, a psychologist, proposed a theory of "Moral Development," suggesting that individuals progress from a stage of obeying rules to avoid punishment to a stage of following universal ethical principles regardless of the law.[3]

2. Value Orientation in Business

Value orientation is the process by which an individual or a company identifies and prioritizes specific values to guide behavior. It is the "moral DNA" of a person or a firm.

- **Individual Value Orientation:** According to **Milton Rokeach**, values can be divided into:
  - **Terminal Values:** The goals one wants to achieve (e.g., prosperity, social recognition).[4]
  - **Instrumental Values:** The means of achieving those goals (e.g., honesty, ambition, self-control).[5]
- **Organizational Value Orientation:** This refers to the "Corporate Culture." A company might have a:
  - **Compliance Orientation:** Focused on following rules and laws to avoid penalties.
  - **Values Orientation:** Focused on shared principles (like "Customer First" or "Integrity") that empower employees to use their judgment.

3. The "Person-Organization Fit"

A critical concept in business ethics is the alignment between an individual's ethics and the organization's value orientation.

- **Value Congruence:** When personal and corporate values match, employee satisfaction and ethical consistency are high.[6]
- **Value Conflict:** When a person with high integrity works for a firm that encourages "aggressive" or deceptive sales tactics, it leads to cognitive dissonance and ethical stress.

Summary: Comparison of Concepts

Concept	Focus	Driving Force
Individual Ethics	The Person	Conscience and Character
Value Orientation	The Priorities	Core Beliefs and Culture
Ethical Behavior	The Action	The result of combining Ethics and Values

In conclusion, the success of any ethical framework in business depends on the individual ethics of the people within the system. As **Stephen Covey** famously argued, "Character is what a person is; reputation is what others think a person is." For a business to flourish sustainably, it must foster a value orientation that attracts and supports ethical individuals. Ultimately, while an organization can provide the "map" (Value Orientation), it is the individual's "moral compass" (Individual Ethics) that determines the direction of every daily decision.

Lesson 1.6: Distinctions: Ethcs vs. Morality vs. Etiquette vs. Law

In the study of human conduct, four distinct systems of rules govern our behavior: Ethics, Morality, Etiquette, and Law. While they often overlap and are sometimes used interchangeably in casual conversation, an academic understanding of Business Ethics requires a clear distinction between them. These systems vary in their origins, their methods of enforcement, and the seriousness of the consequences when they are violated.

1. Ethics vs. Morality

As discussed in previous sections, the distinction here is primarily between Theory and Practice.

Ethics: The "Systematic Reflection."[1] It is the philosophical study and the professional "code" (e.g., Medical Ethics, Legal Ethics). It is often external, provided by a social system or profession.[2]

Morality: The "Personal Compass."[3] It refers to the specific beliefs and behaviors an individual considers right or wrong, often influenced by upbringing and religion.[4]

The Difference: One can be **unethical** (violating a professional code) while still feeling **moral** (following a personal belief), and vice-versa.[5]

2. Morality vs. Etiquette

Etiquette refers to the "customary code of polite behavior" in a society or group.[6] It is about social grace, manners, and conventions.[7]

Scholarly View: Philosophers often define etiquette as the rules that can vary between societies without serious moral consequences.[8] For example, in Japan, bowing is a matter of etiquette; in the US, a handshake is the norm.

The Key Distinction:

Etiquette is about what is **polite or impolite** (e.g., using the wrong fork at dinner, being late to a meeting).

Morality is about what is **right or wrong** (e.g., stealing from the host, lying about why you were late).[9]

Consequences: Violating etiquette results in social awkwardness or being labeled "rude."[10] Violating morality results in guilt or social condemnation for being "bad."

3. Morality vs. Law

This is perhaps the most critical distinction for a business student. Law is a system of rules created and enforced by governmental institutions to regulate behavior.[11]

Scholarly View: John Austin described law as "the command of the sovereign," while morality is "positive morality" existing within the hearts of people.

The Overlap and Divergence:

Legal & Moral: Laws against murder and theft are based on moral principles.[12]

Legal but Unethical/Immoral: Slavery was once legal; predatory lending or "sweatshops" may be legal in some jurisdictions but are widely considered immoral.

Illegal but Ethical: "Whistleblowing" (releasing confidential data to expose corruption) might be a breach of contract or law, but is often seen as a highly moral act.

Enforcement: Law is enforced by **state sanctions** (fines, jail).[13] Morality is enforced by **conscience** and **reputation**.

Summary Table: Comparative Framework

System	Primary Concern	Source	Sanction/Penalty
Ethics	Professional/Social Good	Theoretical/Societal	Loss of professional license/Reputation
Morality	Right vs. Wrong	Personal/Religious	Guilt / Social ostracization
Etiquette	Polite vs. Impolite	Cultural Traditions	Social disapproval / Labeled as "Rude"
Law	Legal vs. Illegal	State / Government	Fines / Imprisonment

In conclusion, a sophisticated business leader must be able to navigate all four domains. Adhering solely to the Law is often referred to as the "moral minimum," but it does not guarantee that a business is "good." Similarly, possessing perfect Etiquette (professionalism) is meaningless if it lacks a foundation of Morality and Ethics. As scholars like Richard De George argue, the goal of business ethics is to ensure that corporate actions are not just "not illegal," but are actively aligned with the highest moral and ethical standards of the global community.

Lesson 1.7: Use and Scope of Studying Business Ethics

The study of Business Ethics is often misunderstood as a purely academic exercise or a restrictive "thou shalt not" list for managers. However, in the modern corporate landscape, it serves as a strategic tool for organizational longevity and a comprehensive framework for navigating global complexities.[1] This section delineates the practical utility of ethical study and the extensive boundaries—or scope—within which business ethics operates.

1. The Use (Importance) of Studying Business Ethics

Why do we study this subject? The utility of business ethics can be observed at three levels:

At the Individual Level:

Moral Literacy: It provides students and managers with the vocabulary and frameworks (like Utilitarianism or Deontology) to analyze complex dilemmas rather than relying on "gut feeling."

Conflict Resolution: It helps individuals navigate "right-vs-right" dilemmas, where two values (e.g., loyalty to a colleague vs. honesty to the firm) are in conflict.

At the Organizational Level:

Risk Management: Ethical study helps identify potential "blind spots" that could lead to scandals, lawsuits, or regulatory fines.[2]

Brand Equity and Trust: As Philip Kotler notes in marketing ethics, integrity is a key differentiator. Ethical companies enjoy higher customer loyalty and easier access to capital from "Socially Responsible Investors" (SRI).[3]

Employee Retention: Modern employees, particularly Millennials and Gen Z, prefer working for purpose-driven organizations.[4]

At the Societal Level:

Social Contract: It ensures that businesses fulfill their side of the "Social Contract," contributing to the common good in exchange for the right to operate and profit.

2. The Scope of Business Ethics

The scope of business ethics is vast, covering every facet of a commercial enterprise. It can be categorized into several dimensions:

A. Scope in Functional Areas

1. **Ethics in Compliance/Finance:** Deals with issues like insider trading, tax evasion, and "creative accounting."
2. **Ethics in Human Resources:** Covers fair wages, non-discrimination, workplace safety, and the right to privacy.
3. **Ethics in Marketing:** Addresses deceptive advertising, price-fixing, and the marketing of harmful products to vulnerable populations.
4. **Ethics in Production:** Focuses on product quality, environmental impact, and avoiding animal testing or hazardous waste.[5]

B. Scope by Level of Interaction

1. **Macro Scope:** Relates to the ethical nature of the economic system itself (e.g., Capitalism vs. Socialism) and the role of business in national development.
2. **Corporate Scope:** Involves the internal culture, "Tone at the Top," and Corporate Social Responsibility (CSR) initiatives.[6]
3. **Individual Scope:** Focuses on the conduct of employees and their personal accountability.

C. Scope in Global Business

In the age of globalization, the scope extends to international human rights, cross-cultural moral standards, and the ethics of global supply chains (e.g., ensuring no child labor is used by distant suppliers).

Summary: The Strategic Value of Business Ethics

Feature	The Use (Why we study it)	The Scope (Where it applies)
Primary Goal	To build character and trust.	To cover all business activities.
Key Benefit	Sustainability and Risk Reduction.	Comprehensive Organizational Integrity.
Stakeholder	Focuses on Decision Makers.	Focuses on everyone affected.

In conclusion, the use and scope of business ethics have expanded far beyond the boardroom. As Peter Drucker famously stated, "The first responsibility of a professional is *primum non nocere*—above all, not to knowingly do harm." Studying business ethics equips future leaders with the tools to honor this responsibility while maintaining a competitive edge.[7] The scope of this field confirms that ethics is not a separate department, but a golden thread that must run through every function of a modern enterprise.

Discussion Questions

1. How do ethics and business ethics differ? Why is this distinction important in modern organizations?
2. Compare descriptive ethics, normative ethics, meta-ethics, and applied ethics. Which type is most useful for business decision-making? Explain.
3. "A business can be legal but still unethical." Discuss this statement with relevant business examples.
4. How does individual ethics influence organizational ethical culture? Illustrate with practical examples.
5. Discuss the historical evolution of business ethics from the Industrial Revolution to the digital era.
6. Differentiate between ethics, morality, etiquette, and law. Why should business leaders understand these distinctions?
7. Explain how value orientation affects ethical decision-making in organizations.
8. Discuss the importance and scope of business ethics in promoting sustainable business practices and stakeholder trust.
9. In today's AI- and technology-driven business environment, what are the emerging ethical challenges organizations must address?

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Theories and Tools of Business Ethics

2

Unit Highlights

- Major Ethical Theories
- Basis of Different Ethical Systems
- Ethical Standards for Business
- Ethical Models – A Different Expressions
- Tools of Ethics
- Islamic Ethical Concepts
- Approaches of rights and obligations in Business

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
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Theories and Tools of Business Ethics

Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects. As a student of business administration, understanding the theoretical foundations and practical tools of ethics is crucial for decision-making. This chapter, "Theories and Tools of Business Ethics," bridges the gap between abstract philosophical concepts and real-world application. It explores how major ethical systems—Western and Islamic—inform our standards, duties, and rights in a commercial context. The following outline structures these complex ideas into a cohesive study plan.

Learning Objectives

By the end of this chapter, the learner will be able to:

- Distinguish between major ethical theories (Utilitarianism, Deontology, and Virtue Ethics) and apply them to business dilemmas.
- Analyze the basis of different ethical systems, specifically contrasting teleological and deontological frameworks.
- Identify and evaluate core ethical standards required for modern business operations.
- Utilize practical tools of ethics, such as codes of conduct and social audits, to foster organizational integrity.
- Explain key Islamic ethical concepts (e.g., *Halal*, *Haram*, *Amanah*) and their implications for business.
- Assess the balance of rights and obligations between employers, employees, and stakeholders.

Lesson-1: Major Ethical Theories

Introduction Ethical theories provide the scaffolding for moral decision-making in business. They are not merely abstract philosophical concepts but practical frameworks that managers use to justify decisions, resolve dilemmas, and define organizational values. In an exam context, it is crucial to classify these theories broadly into Teleological (outcome-based), Deontological (duty-based), and Aretaic (virtue-based) approaches.

Major Ethical Theories

1. **Utilitarianism (The Teleological Approach)**
    (a) **Core Concept:** Utilitarianism is a consequentialist theory which asserts that the morality of an action is determined solely by its outcome. The most ethical choice is the one that produces the greatest good for the greatest number of people.
    (b) **Scholarly Definition:** John Stuart Mill, in his work *Utilitarianism (1863)*, defines the "Greatest Happiness Principle" as holding that "actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness." Jeremy Bentham, the father of Utilitarianism, introduced the "hedonic calculus" to measure pleasure versus pain.
    (c) **Business Application:** This is the foundation of Cost-Benefit Analysis. A business decision (e.g., closing a factory) is ethical if the long-term benefits to

stakeholders (shareholders, consumers, economy) outweigh the immediate harm to a few (laid-off workers).

2. **Deontology (The Duty-Based Approach)**
   (a) **Core Concept:** Derived from the Greek word *deon* (duty), this theory argues that morality is based on adherence to rules, duties, and obligations, regardless of the consequences. Certain actions are inherently right or wrong.
   (b) **Scholarly Definition: Immanuel Kant** proposed the "Categorical Imperative," which states: "Act only according to that maxim whereby you can, at the same time, will that it should become a universal law." This means if a business action (like lying) cannot be universalized (if everyone lied, trust would collapse), it is immoral.
   (c) **Business Application:** This governs compliance and human rights. For example, a company refuses to use child labor not because it is bad PR (consequence), but because it violates the fundamental human right of the child (duty), even if using child labor would increase profits.

3. **Virtue Ethics (The Aretaic Approach)**
   (a) **Core Concept:** unlike the previous two which focus on *doing* (action), Virtue Ethics focuses on *being* (character). It asks, "What would a virtuous person do?" It emphasizes moral character and the development of good habits (*virtues*).
   (b) **Scholarly Definition: Aristotle**, in *Nicomachean Ethics*, defines moral virtue as a "disposition to behave in the right manner and as a mean between extremes of deficiency and excess" (The Golden Mean). For example, "Courage" is the mean between "Cowardice" and "Rashness."
   (c) **Business Application:** This relates to leadership and corporate culture. It suggests that if a manager cultivates virtues like integrity, prudence, and honesty, they will naturally make ethical decisions without needing rigid rules.

4. **Theory of Justice (Fairness Approach)**
   (a) **Core Concept:** Focuses on the fair distribution of benefits and burdens among members of a society.
   (b) **Scholarly Definition: John Rawls**, in *A Theory of Justice (1971)*, proposes the "Veil of Ignorance." He argues that ethical rules should be decided as if we did not know our own status (wealth, talent, gender) in society. This leads to principles that protect the least advantaged.
   (c) **Business Application:** Used in setting fair wages, diversity hiring practices, and ensuring that executive compensation is not disproportionately high compared to average workers.

In summary, no single ethical theory offers a perfect solution for every business dilemma. Utilitarianism offers a pragmatic tool for collective welfare, Deontology ensures fundamental rights are respected, and Virtue Ethics builds the character of the decision-maker. An effective business leader often employs a pluralistic approach, synthesizing these theories to ensure decisions are profitable, legally compliant, and morally sound.

Lesson-2: Basis of Different Ethical Systems

While "Ethical Theories" explain *how* we make decisions (the frameworks), the Basis of Ethical Systems refers to the fundamental source of authority or validation for those decisions. In essence, it answers the question: *Where does the morality of an action originate?* Is it found in the results, the rules, or the cultural context? In academic examinations, this is often categorized into two primary opposing foundations: Teleological (Ends-driven) and Deontological (Means-driven), along with a third perspective based on Relativism.

Basis of Different Ethical Systems

1. **Teleological Basis (The Ethics of Ends)**
   - (a) **Core Basis:** The moral validity of an action is derived exclusively from its consequences.
   - (b) **The Concept of "The Good":** In this system, "The Good" (happiness, profit, welfare) is defined first. "The Right" action is simply whatever maximizes that Good.
   - (c) **Scholarly View:** Derived from the Greek *telos* (end/goal). As Jeremy Bentham argued, nature has placed mankind under the governance of two sovereign masters: *pain* and *pleasure*. Thus, the basis of morality is the arithmetic of these outcomes.
   - (d) **Business Example:** A pharmaceutical company raises the price of a life-saving drug to fund research for a cure for a wider disease. The *basis* of this decision is the future good (cure for many) outweighing the present harm (cost to a few).
2. **Deontological Basis (The Ethics of Means)**
   - (a) **Core Basis:** The moral validity of an action is derived from its adherence to rules, duties, or divine commands, independent of the consequences.
   - (b) **The Concept of "The Right":** In this system, "The Right" is defined independently of "The Good." Certain acts (stealing, lying) are intrinsically wrong, even if they lead to a positive outcome.
   - (c) **Scholarly View:** Derived from the Greek *deon* (duty). Immanuel Kant argued that the basis of ethics is Reason. Rational beings have a duty to follow universal moral laws (Categorical Imperatives) simply because they are the right thing to do.
   - (d) **Business Example:** An accountant refuses to fudge numbers to save the company from bankruptcy. The *basis* of this decision is the duty to be honest, regardless of the disastrous consequence (bankruptcy/job loss).
3. **Relativist Basis (The Ethics of Context)**
   - (a) **Core Basis:** The moral validity of an action is derived from the cultural or societal consensus of the time and place.
   - (b) **The Concept of "Consensus":** There is no absolute "Right" or "Good." Morality is a social construct.
   - (c) **Scholarly View: Protagoras**, an ancient Sophist, stated, "Man is the measure of all things." This implies that what is ethical in one culture (e.g., gift-giving in business) may be unethical (bribery) in another.

(d) **Business Example:** A multinational corporation follows local labor standards in a developing country, even if they are lower than in their home country, arguing that "local custom" is the basis for their ethics.

To summarize, the basis of an ethical system dictates where a manager looks for answers. A Teleological thinker looks forward to the *results* (Ends justify means). A Deontological thinker looks backward to their *duties* (Means justify ends). A Relativist looks outward to *society* (Context justifies action). Understanding which basis you are operating from is the first step in resolving complex business conflicts.

Lesson-3: Ethical Standards for Business

In the realm of commerce, ethical standards serve as the "moral compass" that guides organizational behavior when legal statutes are silent or ambiguous. While laws define what a business *must* do, ethical standards define what a business *should* do. For a student of business administration, mastering these universal principles is essential, as they form the criteria against which corporate reputation and social license to operate are judged.

Ethical Standards for Business

1. **Integrity (The Foundation)**
   (a) **Definition:** Integrity is derived from the Latin *integer*, meaning "whole" or "complete." It refers to the consistency between a company's stated values and its actual actions. It is the refusal to compromise on truth, regardless of the pressure.
   (b) **Scholarly View:** Management scholar Peter Drucker emphasized that the "spirit of an organization" is created from the top, arguing that integrity is the one absolute requirement for a manager, a quality that cannot be acquired but must be brought to the job.
   (c) **Business Application:** A company demonstrates integrity by honoring warranties even when it hurts the bottom line, or by refusing to engage in bribery even in countries where it is a cultural norm.
2. **Transparency (The Window)**
   (a) **Definition:** Transparency involves openness, communication, and accountability. It is the practice of allowing stakeholders (investors, employees, consumers) to see the "mechanics" of the business—financials, sourcing, and decision-making processes.
   (b) **Scholarly View: Don Tapscott**, author of *The Naked Corporation*, argues that in the digital age, transparency is no longer a choice but a condition. "If you're going to be naked, you'd better be buff"—meaning if everything is visible, you must ensure your operations are actually ethical.
   (c) **Business Application:** Publishing detailed Sustainability Reports (ESG) that honestly admit to carbon footprint challenges, rather than "greenwashing" or hiding negative data.
3. **Fairness (The Scale)**
   (a) **Definition:** Fairness is the quality of treating all stakeholders with impartiality and justice. It requires that benefits and burdens be distributed equitably, avoiding favoritism or discrimination.

(b) **Scholarly View:** This standard is deeply rooted in John Rawls' concept of *Justice as Fairness*, specifically equal opportunity. In business, it implies that inequalities (like higher CEO pay) are only justified if the system is open to all and benefits the least advantaged.

(c) **Business Application:**

i. Internal: Merit-based hiring and promotion, equal pay for equal work.

ii. External: Fair trade practices where suppliers in developing nations are paid a living wage rather than a subsistence wage.

4. **Fiduciary Duty (The Trust)**

(a) **Definition:** A fiduciary duty is the highest standard of care in equity and law. It represents the legal and ethical obligation of one party (the agent/manager) to act in the *best interest* of another (the principal/shareholder/stakeholder), subordinating their own personal interests.

(b) **Key Components:**

(i) **Duty of Care:** Making informed, prudent decisions.

(ii) **Duty of Loyalty:** Avoiding conflicts of interest.

(c) **Scholarly View:** Legal scholars often cite the landmark case *Dodge v. Ford Motor Co.* (1919) regarding shareholder primacy, though modern Stakeholder Theory (promoted by R. Edward Freeman) expands this duty to include employees and the community.

(c) **Business Application:** A board member must recuse themselves from voting on a contract if their spouse owns the vendor company (avoiding conflict of interest).

5. **Dignity (The Human Element)**

(a) **Definition:** The recognition that every individual (employee, customer) has intrinsic worth and should be treated as an end in themselves, never merely as a means to a profit.

(b) **Scholarly View:** Based on Kantian ethics, this standard prohibits actions that humiliate, exploit, or dehumanize people.

(c) **Business Application:** Ensuring safe working conditions, prohibiting sexual harassment, and respecting consumer privacy rights.

To conclude, ethical standards are not abstract ideals but operational necessities. Integrity builds trust, transparency invites investment, fairness fosters loyalty, and fiduciary duty ensures accountability. A business that adheres to these standards may face short-term costs but secures long-term viability and "reputational capital," which is often an organization's most valuable asset.

Lesson -4: Ethical Models – A Different Expressions

While ethical theories (like Utilitarianism or Deontology) provide the *philosophy* behind moral decisions, ethical models provide the *procedure*. Think of theories as the "software code" and models as the "user interface" that managers use to navigate daily problems. In this section, we explore different expressions of these models, ranging from step-by-step algorithms to broad academic distinctions.

Ethical Models – A Different Expression

1. **The "ETHICS" Model (A Procedural Framework)**

This model provides a structured, linear approach to decision-making, ensuring no critical step is overlooked. It acts as a checklist for managers under pressure.

i. **E – Establish the Facts:**
   a. Determine exactly what has happened. Separate assumptions from verified facts. Who is involved? What is at stake?

ii. **T – Think about the Legal and Ethical Issues:**
   a. Is there a law being broken? If it is legal, is it also ethical? Identify the specific moral dilemma (e.g., Privacy vs. Security).

iii. **H – Hypothesize Options:**
   a. Brainstorm possible courses of action. Do not settle for the first solution. Look for "Option C" that might satisfy all parties.

iii. **I – Identify Who is Affected (Stakeholders):**
   a. Map out the impact on shareholders, employees, customers, and the community. Who gets hurt? Who benefits?

iv. **C – Compare Options to Ethical Principles:**
   a. Test your options against the theories (Does this maximize good? Does it respect rights?).

v. **S – Select the Best Option:**
   a. Make the decision and implement it. This step also involves monitoring the outcome to ensure it works as intended.

2. **Descriptive vs. Normative Models (Academic Distinction)**

Scholars classify ethical models into two distinct categories based on their purpose.

I. Descriptive Models (The "Is"):
   a. **Focus:** These models describe how people *actually* make decisions in the real world. They rely on psychology and sociology.
   b. **Example: Lawrence Kohlberg's Stages of Moral Development**. It posits that people progress from self-interest (avoiding punishment) to social conformity, and finally to principled conscience. A descriptive model might explain *why* a banker committed fraud (e.g., pressure from a boss), without judging it.

II. Normative Models (The "Ought"):
   a. **Focus:** These models prescribe how people *should* make decisions. They rely on philosophy and logic.

   Example: The "ETHICS" model above is normative because it guides you toward the "right" answer. It doesn't care how you *feel* about the decision; it cares about what is objectively correct.

3. **Simplified "Mental Check" Models**

Sometimes, complex algorithms are too slow for real-time business decisions. These "different expressions" serve as quick litmus tests.

I. The Three-Question Test (Blanchard & Peale):
   a. Is it Legal? (Compliance)
   b. Is it Balanced? (Fairness – does it promote a win-win?)
   c. How will it make me feel about myself? (Conscience)

II. The FrontPage Newspaper Test:

a. "Would I be comfortable if this decision was printed on the front page of the national newspaper tomorrow?" If the answer is no, the action is likely unethical, regardless of its legality.

To summarize, ethical models range from rigorous academic frameworks to practical mental shortcuts. Whether using the detailed ETHICS acronym to dissect a complex crisis or the Descriptive/Normative distinction to understand employee behavior, these models transfer ethics from the classroom to the boardroom. A student must understand that while *Descriptive* models explain human error, *Normative* models provide the roadmap to correct it.

Lesson -5: Tools of Ethics

"Tools of Ethics" refer to the practical mechanisms and structural components an organization implements to enforce its ethical standards. While theories provide the *why* and models provide the *how*, tools are the *what*—the tangible instruments used to institutionalize integrity. For a student of business, identifying these tools is critical for understanding how companies move from "talking" about ethics to "walking" the walk.

Tools of Ethics

1. **Code of Ethics (The Constitution)**
   - (a) **Definition:** A formal document that outlines an organization's mission, values, and principles of professional conduct. It serves as the primary reference point for employees when facing dilemmas.
   - (b) **Distinction:**
     - a. *Code of Ethics:* General principles (e.g., "We treat customers with respect").
     - b. Code of Conduct: Specific rules (e.g., "Accepting gifts over $50 is prohibited").
     - c. **Significance:** It removes ambiguity. A well-written code serves as a "social contract" between the employer and employee, ensuring everyone understands the boundaries of acceptable behavior.

2. **Whistleblowing Mechanisms (The Alarm System)**
   - (a) **Definition:** The disclosure by an employee (current or former) of illegal, immoral, or illegitimate practices under the control of their employer, to persons or organizations that may be able to effect action.
   - (b) **Types:**
   - i. *Internal:* Reporting to a supervisor or via an anonymous hotline.
   - ii. *External:* Reporting to the media, government agencies, or law enforcement.
   - (c) **Scholar's View: Ralph Nader**, who coined the term, argued that whistleblowing is an act of patriotism and civic duty, prioritizing the public interest over corporate loyalty.
   - (d) **Business Application:** Companies often establish "Ethics Hotlines" (third-party managed) to ensure anonymity and protect the whistleblower from retaliation (retribution).

3. **Social Audit (The Scorecard)**
   - (a) **Definition:** A systematic evaluation of an organization's social, ethical, and environmental performance. Just as a financial audit verifies fiscal health, a social audit verifies moral health.

(b) **Components:** It measures impact on community development, employee safety, environmental sustainability, and consumer protection.
(c) **Standards:** Many companies use the SA8000 (Social Accountability 8000) standard, which is based on UN Declaration of Human Rights and ILO conventions, to audit their supply chains for child labor or unsafe working conditions.

4. **Ethics Training Programs (The Education)**
   (a) **Definition:** Structured educational sessions designed to help employees identify ethical issues and apply the company's Code of Ethics.
   (b) **Methodology:** Effective training uses case studies, role-playing, and simulation to practice decision-making in a "safe" environment.
   (c) **Goal:** To move beyond "compliance" (following rules to avoid punishment) to "integrity" (internalizing values).

5. **Ethics Officers and Committees (The Governance)**
   (a) Definition: Specialized roles dedicated to overseeing the organization's ethical climate.
   (b) Ethics Officer (Ombudsman): A high-level executive responsible for communicating standards, monitoring compliance, and investigating violations.
   (c) Ethics Committee: A group (often board members) that reviews major policy changes and adjudicates complex ethical breaches.

In summary, the "Tools of Ethics" are the operational backbone of corporate responsibility. A Code of Ethics sets the rules, Training ensures they are understood, Whistleblowing ensures violations are reported, and Social Audits ensure the system is working. Without these tools, ethical theories remain abstract concepts; with them, they become an active part of corporate culture.

Lesson-6: Islamic Ethical Concepts

Islamic business ethics differs from secular systems in its source of authority; it is derived directly from the Quran (divine revelation) and the Sunnah (practices of the Prophet Muhammad). Its foundation is Tawhid (the unity of God), implying that business life cannot be separated from religious life. For a student, it is vital to understand that Islamic ethics focuses on Falah (success in this world and the Hereafter), making accountability (*Akhirah*) the ultimate enforcer of ethical behavior.

Islamic Ethical Concepts

1. **Core Positive Concepts (The "Do's")**
   (a) **Amanah (Trustworthiness/Custodianship)**
      (i) **Definition:** Amanah implies that human beings are not absolute owners of wealth but custodians holding it in trust for God. It refers to honesty and the safe return of goods/duties to their owners.
      (ii) **Business Application:** An employee must work efficiently because their job is an Amanah. A manager must not misuse company funds because those resources are a trust.
      (iii) **Scholarly View:** The Prophet Muhammad was known as Al-Amin (The Trustworthy) before his prophethood, establishing this as the primary trait of a merchant.

(b) **Adl (Justice) vs. Ihsan (Benevolence)**
   (i) **Adl:** This is the legal minimum—giving everyone exactly what is due to them (e.g., paying the agreed wage on time). "Woe to those who give less [than due]" (Quran 83:1).
   (ii) **Ihsan:** This is the moral ideal—doing more than what is legally required out of kindness (e.g., paying a bonus to a struggling worker, or forgiving a debt).
   (iii) **Exam Note:** Adl prevents injustice; Ihsan builds social cohesion.

(c) **Halal (Permissible) & Haram (Prohibited)**
   (i) **Halal:** Any business activity permitted by Sharia law. It must be lawful in its essence (e.g., trading wheat) and in its method (e.g., no deception).
   (ii) **Haram:** Activities strictly forbidden (e.g., selling alcohol, pork, or engaging in gambling).
   (iii) **Shubhah (Doubtful):** Areas that are unclear. A pious businessperson avoids Shubhah to protect their integrity.

2. **Core Prohibitions (The "Don'ts")**

   (a) **Riba (Usury/Interest)**
      (i) **Definition:** Any unjustified increment in borrowing or lending money, paid in kind or money, above the principal amount, as a condition of the loan.
      (ii) **Rationale:** Islamic scholars argue that money is a medium of exchange, not a commodity. Making "money from money" without risk-sharing (like interest) is viewed as exploitative and widening the gap between rich and poor.
      (iii) Alternative: Profit and Loss Sharing (PLS), where risk is shared between the lender and borrower.

   (b) **Gharar (Uncertainty/Deception)**
      (i) **Definition:** The sale of items whose existence or characteristics are not certain. It refers to excessive ambiguity or risk that could lead to dispute.
      (ii) **Examples:** Selling "the birds in the sky," selling fish before they are caught, or insurance contracts where the outcome is entirely unknown.
      (iii) **Standard:** Minor uncertainty is tolerated; excessive uncertainty that resembles gambling is prohibited.

   (c) **Ihtikar (Hoarding)**
      (i) **Definition:** Purchasing essential commodities (like food or fuel) and withholding them from the market to artificially inflate prices.
      (ii) **Status:** Strictly prohibited as it harms the community for personal gain.

In conclusion, Islamic ethical concepts create a framework where economic activity is a form of worship (*Ibadah*). By upholding Amanah and avoiding Riba and Gharar, the system seeks to balance individual profit with social welfare. Unlike capitalism, which may prioritize the "Invisible Hand" of the market, Islamic ethics prioritizes the "Visible Law" of God, ensuring that no transaction harms the broader society.

Lesson-7: Approaches of rights and obligations in Business

In the study of business ethics, the concepts of "Rights" (entitlements) and "Obligations" (duties) are two sides of the same coin. A right held by one party implies an obligation held by another. For example, a consumer's *right* to safety implies a manufacturer's *obligation* to test their products. In an exam context, scholars generally categorize the source of these rights into two primary approaches: the Moral Approach and the Institutional Approach.

Approaches of Rights and Obligations in Business

1. **The Moral Approach (Natural Rights)**
   (a) **Basis:** This approach asserts that rights are inherent to human beings simply because they are human. They exist prior to and independent of any government or legal system.
   (b) **Scholarly Root:** John Locke (Natural Rights) and Immanuel Kant (Respect for Persons). They argue that humans have a "dignity" that cannot be violated for profit.
   (c) **Business Application:**
      (i) **Moral Rights:** These include the right to life, safety, truth, and privacy.
      (ii) **Obligation:** A Multinational Corporation (MNC) operating in a country with weak labor laws still has a *moral obligation* to provide safe working conditions, not because the local law requires it (it might not), but because the workers have a *moral right* to safety.
      (iii) **Strength:** It provides a universal standard to judge business behavior, even when laws are unjust.

2. **The Institutional Approach (Legal/Positivist Rights)**
   (a) **Basis:** This approach views rights as privileges granted by society through its institutions (laws, constitutions, professional codes). If a right is not written down or codified, it practically does not exist in this view.
   (b) **Scholarly Root: Legal Positivism** (Jeremy Bentham), which famously called natural rights "nonsense upon stilts."
   (c) **Business Application:**
      (i) **Legal Rights:** These include the right to a minimum wage, the right to unionize, or intellectual property rights.
      (ii) **Obligation:** The business's obligation is strictly to comply with the "letter of the law." If the law does not forbid firing employees without notice, the institutional approach might argue the business has no obligation to provide it.
      (iii) **Strength:** It offers clear, concrete guidelines for managers, removing ambiguity.

3. **The Reciprocity of Rights and Obligations**

In a business environment, rights and obligations form a reciprocal relationship between stakeholders:

(a) Employer vs. Employee:
   (i) *Employee Right:* To receive fair pay and due process.
   (ii) *Employee Obligation:* To perform duties with loyalty and care (Fiduciary Duty).

(b) Business vs. Consumer:
   (i) *Consumer Right:* To be informed (Product Labeling) and to Choose.
   (ii) *Business Obligation:* To provide safe products and truthful advertising.

(c) Business vs. Society:
   (i) *Society's Right:* A clean environment.
   (ii) *Business Obligation:* Sustainable practices and paying taxes.

To conclude, the "Moral Approach" challenges businesses to aspire to ideal standards of humanity, while the "Institutional Approach" grounds them in legal reality. A prudent manager must navigate both: fulfilling their *institutional obligations* to avoid lawsuits, while respecting *moral rights* to build long-term trust and reputation. Effectively balancing these approaches ensures that a business remains both profitable and principled.

Discussion Questions

1. Compare and contrast **Utilitarianism, Deontology, and Virtue Ethics.** Which ethical theory is most appropriate for business decision-making? Justify your answer.
2. Distinguish between teleological, deontological, and relativist ethical systems with suitable business examples.
3. Explain the importance of ethical standards such as integrity, transparency, fairness, fiduciary duty, and dignity in achieving sustainable business success.
4. Discuss the ETHICS decision-making model. How can managers use this model to resolve ethical dilemmas in organizations?
5. Evaluate the role of codes of ethics, whistleblowing mechanisms, social audits, and ethics training in promoting ethical organizational culture.
6. Discuss the major Islamic ethical concepts (Amanah, Adl, Ihsan, Halal, Haram, Riba, and Gharar) and explain their relevance to contemporary business practices.
7. Compare the moral approach and the institutional approach to rights and obligations in business. Which approach better promotes ethical business conduct?
8. "Legal compliance alone is insufficient for ethical business behavior." Critically discuss this statement with appropriate examples.
9. Ethical leadership requires balancing profitability with stakeholder interests. Discuss this statement using appropriate ethical theories and business ethics tools.

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Social Responsibility of Business

3

Unit Highlights

- Definitions of Social Responsibility
- Legal Measures for Social Responsibility
- The Community Expectations from and to the Business
- The Economic Model for Social Responsibility
- Focus of Change of Dimensions
- Government-Business Influences
- Managing Social Responsibility

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Social Responsibility of Business

Corporate Social Responsibility (CSR) represents the evolution of business from a purely profit-generating entity to a conscious member of society. For a student of business administration, this chapter is critical because it challenges the traditional notion that a firm's only duty is to its shareholders. "Social Responsibility of Business" explores the legal, economic, and moral obligations a company holds toward the community, the environment, and the government. The following outline structures these dynamics into a comprehensive study guide.

Learning Objectives

By the end of this chapter, the learner will be able to:

- Define Social Responsibility using various scholarly frameworks (e.g., Carroll's Pyramid).
- Identify the legal measures that enforce social responsibility, distinguishing between compliance and voluntary ethics.
- Analyze the reciprocal relationship and expectations between the business sector and the local community.
- Critique the "Economic Model" of responsibility and contrast it with the "Socio-Economic Model."
- Trace the changing dimensions of CSR from simple philanthropy to strategic sustainability.
- Evaluate the complex influence mechanism between Government and Business (regulation vs. lobbying).
- Formulate strategies for managing and integrating CSR into core business operations.

Lesson-1: Definitions of Social Responsibility

Defining "Social Responsibility" (often termed Corporate Social Responsibility or CSR) is complex because it is a moving target. In an academic context, it refers to the obligation of decision-makers to take actions that protect and improve the welfare of society as a whole, alongside their own economic interests. It implies that a corporation has duties beyond the mere production of goods and services for a profit.

Definitions of Social Responsibility

1. **The Classical/Economic Definition (The Narrow View)**
   (a) **Proponent:** Milton Friedman (Nobel Laureate).
   (b) **Definition:** In his famous 1970 essay, Friedman argued: *"There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game."*
   (c) **Key Takeaway:** Any diversion of company funds to "social causes" (like pollution reduction beyond what the law requires) is theft from shareholders. The "social responsibility" is simply to generate wealth and jobs.

2. **The Socio-Economic Definition (The Broad View)**
   (a) **Proponent:** Keith Davis.
   (b) **Definition:** "Social responsibility refers to the businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest."
   (c) **Key Takeaway:** This view acknowledges that businesses operate within a social system. If they ignore social problems (like poverty or education), those problems will eventually hamper business operations. Therefore, business has an obligation to be a "good corporate citizen."

3. **The Four-Part Definition (Carroll's Pyramid)**
   (a) **Proponent:** Archie Carroll.
   (b) **Definition:** Carroll provided the most widely accepted academic framework, defining CSR as the total corporate social responsibility composed of four distinct layers:
   (c) **Economic Responsibility (Required):** The foundation. The business must be profitable to survive. If it fails here, the other responsibilities are moot.
   (d) **Legal Responsibility (Required):** The business must obey the law. This is the "codified ethics" of society.
   (e) **Ethical Responsibility (Expected):** The business should do what is right, just, and fair, even if not compelled by law (e.g., paying above minimum wage).
   (f) **Philanthropic Responsibility (Desired):** The business might contribute resources to the community (e.g., building a park). This is voluntary.

4. **The Triple Bottom Line Definition**
   (a) **Proponent:** John Elkington.
   (b) **Definition:** Social responsibility is defined by measuring success across three dimensions: Profit (Economic), People (Social), and Planet (Environmental).
   (c) **Key Takeaway:** A responsible company is one that aims for sustainability in all three areas, not just the financial one.

To summarize, definitions of Social Responsibility range from the strict Economic Model (profit is the only duty) to the holistic Stakeholder Model (balancing the needs of investors, employees, customers, and the environment). For exam purposes, Carroll's Pyramid is the most comprehensive definition, as it integrates economic necessity with ethical and philanthropic duties.

Lesson-2: Legal Measures for Social Responsibility

Introduction While "Social Responsibility" often implies voluntary action, **Legal Measures** constitute the mandatory baseline of corporate behavior. In business ethics, the law is famously described as "codified ethics"—the minimum standards of moral conduct that society considers so important they must be enforced by the state. Failure to adhere to these measures moves a company from being "irresponsible" to being criminal.

Legal Measures for Social Responsibility

1. **Consumer Protection Laws**
   (a) **Purpose:** To prevent businesses from exploiting the information asymmetry between the seller and the buyer.

(b) **Key Measures:**
   (i) **Right to Safety:** Laws mandating rigorous testing for drugs, automobiles, and food (e.g., FDA regulations).
   (ii) **Right to Information:** Laws requiring truthful labeling (ingredients, expiry dates) and prohibiting false advertising.
   (iii) **Product Liability:** Strict laws holding manufacturers financially responsible for injuries caused by defective products.

2. **Environmental Protection Laws**
   (a) **Purpose:** To force businesses to internalize the "social costs" of production, such as pollution, rather than dumping them on the community.
   (b) **Key Measures:**
      (i) **Emissions Control:** Limits on the amount of toxins a factory can release into the air or water (e.g., Clean Air Act).
      (ii) **Waste Disposal:** Mandates for the safe handling of hazardous materials (chemical, nuclear, medical waste).
      (iii) **Carbon Taxes:** Financial penalties for excessive carbon footprints to combat climate change.

3. **Employee Protection & Labor Laws**
   (a) **Purpose:** To correct the power imbalance between the employer and the individual employee, ensuring human dignity is respected.
   (b) **Key Measures:**
      (i) Fair Labor Standards: Establishing minimum wage, overtime pay, and limits on working hours.
      (ii) Workplace Safety (OSHA): Mandating protective gear and safe protocols to prevent industrial accidents.
      (iii) Anti-Discrimination: Laws prohibiting hiring or firing based on race, gender, religion, or disability (Equal Opportunity Employment).

4. **Corporate Governance & Financial Transparency**
   (a) **Purpose:** To protect shareholders and the broader economy from fraud and systemic collapse.
   (b) **Key Measures:**
      (i) Sarbanes-Oxley Act (SOX): A US law (adopted globally in principle) that mandates strict financial reporting and holds CEOs criminally liable for accounting fraud.
      (ii) Antitrust/Competition Laws: Laws preventing monopolies and price-fixing to ensure a fair market for smaller competitors and consumers.

In summary, legal measures serve as the "floor" of social responsibility. They ensure that businesses do not physically harm their employees, poison the environment, or defraud their customers. However, a prudent student must note that compliance is not the same as ethics. A company that merely follows the law is "law-abiding," but a truly "socially responsible" company often goes beyond these legal minimums to proactively benefit society.

Lesson -3: The Community Expectations from and to the Business

The relationship between a business and its local community is symbiotic, often described by scholars as a "Social Contract." This unwritten agreement implies that a business does not operate in a vacuum; it draws resources from the community and, in return, owes the community specific duties. For a student, it is crucial to understand this as a two-way street: the community grants the business the "Social License to Operate" (SLO), and in exchange, the business must contribute to the community's well-being.

The Community Expectations from and to the Business

1. **Expectations of the Community FROM the Business**

The community views the business as a powerful entity that should function as a responsible citizen.

(a) **Economic Stability (Jobs & Wealth):** The primary expectation is the generation of local employment. The community expects the business to hire locally, pay fair wages, and pay local taxes that fund schools and roads.
(b) **Environmental Stewardship:** The community expects the business to minimize "negative externalities." This means not polluting the local air or water, managing waste responsibly, and not causing excessive noise or traffic congestion.
(c) **Social Support (Philanthropy):** There is an expectation for the business to support local causes—sponsoring local sports teams, funding scholarships, or aiding in disaster relief.
(d) **Safety and Health:** The business must ensure that its operations do not pose a health risk (e.g., a chemical leak) to nearby residents.

2. **Expectations of the Business FROM the Community**

   The business cannot survive without the support of the environment it inhabits.

   (a) **Social License to Operate (Acceptance):** The most critical expectation. The business expects the community not to protest, strike, or boycott its operations. It needs the "goodwill" of the locals to function smoothly.
   (b) **Infrastructure and Security:** The business relies on the community (via local government) to provide maintained roads, utilities (water/power), and police/fire protection to secure its assets.
   (c) **Human Capital (Labor Supply):** The business expects the community to provide a healthy, educated, and skilled workforce. A failing community with poor education systems hurts the business's ability to recruit.
   (d) **Fair Regulation:** The business expects the local administration to provide a stable regulatory environment without corruption or extortion.

3. **The Concept of "Social License to Operate" (SLO)**

   (a) **Definition:** Coined by industry analysts (originally in mining), SLO refers to the ongoing acceptance and approval of a company's standard of business practices by its employees, stakeholders, and the general public.
   (b) **Dynamic:** unlike a legal license, an SLO is intangible and dynamic. It can be lost quickly if a business violates community trust (e.g., an oil spill), leading to costly delays or shutdowns.

In conclusion, the interaction between business and community is a balance of reciprocal rights and obligations. If a business extracts profit without returning value (violating the community's expectations), it risks losing its legitimacy. Conversely, a supportive community acts as a "buffer," protecting the business during crises. Successful management lies in treating the community not as a resource to be exploited, but as a partner to be nurtured.

Lesson -4: The Economic Model for Social Responsibility

Introduction The Economic Model of Social Responsibility, often termed the **"Classical View,"** is the most traditional perspective on corporate purpose. It asserts that a business is an economic institution, not a social one. Its primary function is to convert resources into goods and services efficiently to generate profit. For a student, this model is crucial because it forms the baseline argument against which all modern CSR theories are debated. It relies on the belief that by serving the shareholders, the business best serves society.

The Economic Model for Social Responsibility

1. **Core Philosophy: Profit Maximization**
   - (a) **The Concept:** The model posits that society benefits most when businesses focus strictly on economic efficiency. By maximizing profits, businesses create jobs, pay taxes, and produce goods that people want.
   - (b) **Scholarly Root: Adam Smith** (1776) in *The Wealth of Nations* introduced the "Invisible Hand." He argued that by pursuing his own interest (profit), the merchant frequently promotes that of the society more effectually than when he really intends to promote it.
   - (c) **Key Argument:** A firm that tries to be a "social worker" loses its competitive edge, eventually failing and causing job losses—the ultimate social irresponsibility.
2. **The Friedman Doctrine (The Agency Argument)**
   - (a) **Proponent:** Milton Friedman, the Nobel Prize-winning economist.
   - (b) **Scholarly Definition:** In his landmark 1970 essay, "The Social Responsibility of Business is to Increase its Profits," Friedman argued that:
     - (i) **Agency Theory:** Managers are agents (employees) of the owners (shareholders). Their sole moral duty is to conduct business in accordance with the owners' desires, which is to make as much money as possible.
     - (ii) **"Taxation without Representation":** If a manager spends company money on pollution reduction (beyond what the law requires) or charity, they are effectively imposing a "tax" on the shareholders and spending the proceeds. This is a function of the government, not a private business.
   - (c) **The "Rules of the Game":** Friedman clarified that profit maximization must occur within the rules of the game—meaning without deception or fraud.
3. **Assumptions of the Economic Model**
   - (a) **Clear Boundaries:** Government is responsible for social welfare; Business is responsible for economic welfare. These lines should not cross.
   - (b) **Efficiency:** Resources are limited. If businesses focus on solving social problems (which they are not trained to do), they will waste resources that could be used for innovation.
   - (c) **Legal Compliance = Ethical Sufficiency:** The model assumes that obeying the law is the full extent of a company's ethical obligation. If society wants less pollution, the government should pass a law, not expect businesses to volunteer.

4. **Critique of the Model**

   While logically sound, this model faces criticism in the modern era:

   (a) **Market Failure:** It ignores "Market Failures" or negative externalities (e.g., a factory polluting a river saves money for shareholders but destroys the community's water source).

   (b) **Short-termism:** It often encourages short-term profit seeking at the expense of long-term sustainability.

In conclusion, the Economic Model defines social responsibility strictly as Fiduciary Duty. It champions the idea that a profitable business is a socially responsible business because it fuels the economy. While critics argue it is too narrow for the 21st century, it remains the dominant framework for many investors and legal systems, emphasizing that a company's first duty is to stay in business.

Lesson-5: Focus of Change of Dimensions

Introduction

The concept of Social Responsibility is not static; it has evolved significantly over the last century. In academic terms, this is referred to as the "Changing Dimensions of Social Responsibility." It traces the shift from a "Profit-First" mindset to a "People-First" or "Planet-First" mindset. For a student, understanding this evolution is key to recognizing why modern companies now publish "Sustainability Reports" alongside their "Financial Reports."

Focus of Change of Dimensions

1. **The Three Phases of Evolution**

Scholars generally categorize the historical shift in CSR into three distinct phases or dimensions:

Phase 1: Profit Maximization Management (Late 19th – Early 20th Century)

(a) **Focus:** The sole obligation was to the **Owner/Shareholder**.

(b) **Philosophy:** Based on the Economic Model (Adam Smith/Friedman). "What is good for the company is good for the country."

(c) **Driver:** Scarcity of goods. The primary goal was to produce as much as possible as cheaply as possible. Labor was viewed merely as a factor of production.

Phase 2: Trusteeship Management (Early to Mid-20th Century)

(a) **Focus:** The obligation expanded to **Employees, Customers, and Suppliers**.

(b) **Philosophy:** Managers realized they were "trustees" balancing the interests of multiple groups, not just the owners.

(c) **Driver:** The Great Depression and the rise of Labor Unions. Companies realized that ignoring workers' needs led to strikes and instability.

Phase 3: Quality of Life Management (Late 20th Century – Present)

(a) **Focus:** The obligation expands to **Society as a whole and the Environment**.

(b) **Philosophy:** Business is expected to help solve deep-seated social problems (poverty, climate change, discrimination) even if they didn't cause them.

(c) **Driver:** Environmental activism, globalization, and the realization that a business cannot thrive in a failing society.

2. **Changing Dimensions: Specific Shifts**

We can analyze the "Focus of Change" by looking at specific shifts in business priorities:

Old Dimension (Traditional)	**New Dimension (Modern)**
Focus: Shareholder Wealth	**Focus:** Stakeholder Welfare (Triple Bottom Line)
Action: Reactive (Fixing problems after they happen)	**Action:** Proactive (Preventing problems before they happen)
Motivation: Compliance (Avoiding fines)	**Motivation:** Strategic (Building reputation/brand)
Philanthropy: Writing checks (Charity)	**Philanthropy:** Corporate Citizenship (Active involvement)
View of Nature: A free resource to exploit	**View of Nature:** A fragile asset to protect

3. **The Shift from "Shareholder" to "Stakeholder"**
   (a) **The Shareholder Model:** The firm exists for the owners.
   (b) **The Stakeholder Model:** The firm exists for everyone who has a "stake" in the company. This includes the local community, the government, future generations (environment), and even competitors (fair play). The dimension has changed from a *uni-directional* responsibility (to owners) to a *multi-directional* web of responsibilities.

In summary, the "Focus of Change" represents a journey from Self-Interest to Enlightened Self-Interest. Businesses have moved from asking *"How much money can we make?"* to *"How can we make money in a way that allows us—and our community—to survive for the next 100 years?"* This dimensional shift is the foundation of modern Sustainable Development goals.

Lesson -6: Government-Business Influences

The relationship between government and business is not merely regulatory; it is a dynamic, two-way street of influence. In a mixed economy, the government sets the "rules of the game," while businesses provide the economic engine that powers the state. For a student, understanding this section is critical because it explains why CEOs spend time in the capital city and why politicians visit factories. This interaction determines the stability and profitability of the market.

Government-Business Influences

1. **How Government Influences Business (The Regulator)**

   The government acts as a referee, ensuring fair play and protecting public interest. It influences business through three primary channels:

(a) **Regulation (The Stick):**

(i) **Economic Regulation:** Controls market conditions (e.g., controlling prices in utilities, preventing monopolies via Antitrust laws, or regulating banking interest rates).

(ii) **Social Regulation:** Protects society from negative business impacts (e.g., Environmental Protection Agency rules on pollution, OSHA rules on worker safety, and FDA rules on product safety).

(b) **Taxation and Subsidies (The Carrot):**

(i) **Taxation:** High corporate taxes can discourage investment, while tax breaks can stimulate growth in specific sectors (e.g., tax holidays for tech startups).

(ii) **Subsidies:** Direct financial aid to industries the government wants to support (e.g., subsidies for renewable energy or agriculture).

(c) **Moral Suasion:**

(i) The government uses its platform to "persuade" businesses to act in a certain way without passing a law (e.g., publicly asking companies to hold off on price hikes during a crisis).

2. **How Business Influences Government (The Petitioner)**

Businesses do not passively accept regulations; they actively try to shape public policy to their advantage.

(a) **Lobbying:**

(i) **Definition:** The process of influencing public officials to promote or defeat legislation. Professional lobbyists (often former politicians) meet with legislators to explain how a proposed law will affect jobs and the economy.

(ii) **Example:** Tech companies lobbying against strict data privacy laws.

(b) **Political Action Committees (PACs):**

(i) **Definition:** Organizations formed by business groups (or unions) to raise money and donate it to candidates who support their interests. While they cannot bribe officials, they can legally fund campaigns to gain "access."

(c) **Trade Associations:**

(i) Groups like the *Chamber of Commerce* or specific industry bodies (e.g., Automobile Manufacturers Association) that present a unified front to the government, combining their resources to influence policy.

(c) Public Relations / Advocacy Advertising:

(i) Businesses run ad campaigns to sway public opinion on a political issue, indirectly pressuring the government (e.g., energy companies running ads about how "green" they are to avoid strict carbon taxes).

3. **Models of Interaction**

(a) **Adversarial Model:** Government and business are viewed as opponents (common in the US, where business often fights regulation).

(b) **Cooperative Model:** Government and business work closely together to achieve national goals (common in Japan or Germany, often called "Japan Inc.").

In conclusion, the Government-Business interface is a complex ecosystem of checks and balances. The government seeks Social Welfare through regulation, while business seeks Profitability through influence. A healthy system requires a balance: enough regulation to protect the public, but enough freedom to allow businesses to innovate and grow.

Lesson -7: Managing Social Responsibility

Managing Social Responsibility is the process of operationalizing ethical theories—transforming "good intentions" into "concrete actions." It is not enough for a CEO to claim their company is responsible; they must build the structures and systems to ensure it. In an exam, this is often described as the "Institutionalization of Ethics." It involves integrating social goals into the strategic planning process, ensuring that CSR is not just a Public Relations stunt but a core business function.

Managing Social Responsibility

1. **Approaches to Managing CSR (The Strategy Spectrum)**

   Scholars categorize how companies manage their social duties into four distinct strategies, ranging from the least to the most responsible:

   (a) Obstructionist Stance (Lowest):

   (i) **Action:** The company does as little as possible to solve social or environmental problems. When they cross the ethical line, they deny or cover up their actions.

   (ii) **Example:** A company illegally dumping toxic waste and shredding documents to hide the evidence.

   (b) Defensive Stance:

   (i) **Action:** The company does everything that is required legally but nothing more. They follow the "letter of the law" but not the spirit.

   (ii) **Example:** A company installs safety equipment only because the law mandates it, and would remove it immediately if the law were repealed.

   (c) Accommodative Stance:

   (i) **Action:** The company meets its legal and ethical obligations but will also go beyond these in selected cases if asked. They are responsive to public pressure.

   (ii) **Example:** A company agrees to stop testing on animals only after a petition by a consumer group.

   (d) Proactive Stance (Highest):

   (i) **Action:** The company actively seeks opportunities to contribute to the well-being of groups and the environment. They view themselves as citizens and leaders.

   (ii) **Example:** A company launching a "Zero Carbon" initiative voluntarily, years before any government regulation requires it.

2. **Formal Mechanisms for Management**

   To move from an Obstructionist to a Proactive stance, organizations must implement specific tools:

(a) **Social Audits:**

(i) **Definition:** A systematic report on how the firm is using its funds for social causes and how its operations affect society.

(ii) **Function:** Just as a financial audit checks the books, a social audit checks the "moral health" of the firm. It measures progress on diversity, pollution, and safety.

(b) **The Code of Ethics/Conduct:**

(i) **Definition:** A formal written document clearly stating what the company expects of its employees.

(ii) **Requirement:** It must be specific. Instead of saying "Be honest," it should say "Employees must not accept gifts over $50 from suppliers."

(c) **Organizational Structure (Ethics Officers):**

(i) Creating a specific department or role (e.g., Chief Sustainability Officer) responsible for monitoring compliance. This ensures that "everyone's business" doesn't become "no one's business."

3. **Top Management Commitment (The "Tone at the Top")**

(a) No CSR program can succeed without the explicit backing of the CEO and Board.

(b) If the CEO preaches ethics but promotes managers who cheat to hit targets, the employees will quickly learn that profits matter more than principles.

(c) **Whistleblowing Protection:** Establishing safe channels (hotlines) for employees to report unethical behavior without fear of retaliation is a critical management tool.

To conclude, managing social responsibility requires a shift from Ad-hoc Philanthropy (random acts of charity) to Strategic CSR (planned, long-term commitment). By adopting a Proactive Stance, conducting regular Social Audits, and ensuring Top Management Commitment, a business ensures that its pursuit of profit does not come at the expense of its soul or its society.

Discussion Questions

1. Critically evaluate the concept of Corporate Social Responsibility (CSR) using Carroll's Pyramid. Why is it considered one of the most comprehensive CSR frameworks?
2. Differentiate between the Economic Model and the Socio-Economic Model of Social Responsibility. Which model is more appropriate for modern businesses? Justify your answer.
3. Discuss the major legal measures that ensure businesses fulfill their social responsibilities. Illustrate your answer with suitable examples.
4. Explain the reciprocal expectations between businesses and the community. How does the concept of the Social License to Operate (SLO) contribute to sustainable business success?
5. Examine how the dimensions of Corporate Social Responsibility have evolved from profit maximization to sustainable development.
6. Analyze the relationship between government and business. How do government regulations and business lobbying influence each other?
7. Discuss the strategies for managing Corporate Social Responsibility in organizations. How can social audits, codes of ethics, and top management commitment improve CSR performance?

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Managerial Ethics

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Unit Highlights

- Changing values of Management
- Approaches to Managerial Ethics
- Rights and Obligations of Management
- Factors of Managerial Unethical Practices
- Status of Managerial Ethics
- Ways to Ethical Managerial Decisions
- Managerial Code of Ethics

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Managerial Ethics

Managerial Ethics is the specific application of moral standards to the conduct, behavior, and decisions of those in leadership positions. Unlike general business ethics, which looks at the organization as a whole, managerial ethics focuses on the *individual manager* as a moral agent. For a student of management, this distinction is vital: you are not just studying "corporate" policy, but the personal code that will guide your daily interaction with subordinates, peers, and superiors. This chapter explores the shifting values of modern management, the pressures that lead to unethical behavior, and the frameworks used to resolve these conflicts.

Learning Objectives

By the end of this chapter, the learner will be able to:

- Trace the historical shift in management values from "Economic Man" to "Social Man."
- Evaluate different approaches to managerial ethics (Utilitarian, Individual, Rights, Justice).
- Distinguish between the rights of a manager (authority) and the obligations of a manager (fiduciary duty).
- Identify the internal and external factors that drive managers toward unethical practices.
- Assess the current status of managerial ethics in the global business environment.
- Apply practical methods (like the "Hotline" or "Ethics Audit") to ensure ethical decision-making.
- Draft and interpret a Managerial Code of Ethics.

Lesson -1: Changing values of Management

Values in management refer to the core beliefs and priorities that guide how an organization is run. Historically, these values were static and rigid, focused almost exclusively on efficiency and authority. However, in the modern era, there has been a paradigm shift. For a student, this section answers the question: *How has the "mindset" of the boss changed from the factory floor of the 1920s to the tech campus of the 2020s?*

Changing Values of Management

1. **From "Economic Man" to "Social Man"**
   (a) **The Old Value (Economic Man):** Based on the Classical Theory (Taylor/Fayol), this view assumed that employees were motivated *only* by money. The manager’s value system was purely transactional: "I pay you, you work." Emotions and social needs were considered distractions.
   (b) **The New Value (Social Man):** Based on the Behavioral Science approach (Elton Mayo/Hawthorne Studies), this view recognizes that employees are complex social beings. Modern values prioritize psychological well-being, job satisfaction, and a sense of belonging over simple monetary rewards.

2. **From "Authority" to "Participation"**
   (a) **The Old Value (Command & Control):** Management valued strict hierarchy. The boss gave orders; the worker obeyed. Dissent was seen as insubordination.
   (b) **The New Value (Empowerment):** Management now values consensus and collaboration. The modern manager is a "facilitator" rather than a dictator.

Concepts like Participative Management (where employees help make decisions) are now standard.

3. **From "Profit Maximization" to "Stakeholder Welfare"**
   (a) **The Old Value (Shareholder Primacy):** The only goal was to maximize the wealth of the owners.
   (b) **The New Value (Corporate Citizenship):** Managers now value the "Triple Bottom Line" (People, Planet, Profit). There is a recognition that a company cannot succeed in a failing society. Values have shifted from *exploitation* of resources to *sustainability* of resources.
4. **From "Hard Skills" to "Soft Skills"**
   (a) **The Old Value (Technical Competence):** You were promoted to manager because you were the best at the technical job (e.g., the fastest accountant).
   (b) **The New Value (Emotional Intelligence):** You are promoted because you have high EQ (Emotional Quotient)—the ability to empathize, resolve conflict, and motivate others. Technical skills are secondary to leadership skills.
5. **From "Caveat Emptor" to "Caveat Vendor"**
   (a) **The Old Value (Buyer Beware):** It was the buyer's responsibility to check the quality. If the product broke, it was their problem.
   (b) **The New Value (Seller Beware):** The onus is on the manufacturer. Managers value quality assurance and customer rights, knowing that one bad review on social media can destroy a brand.

In summary, the changing values of management represent a shift from autocracy to democracy, and from profit-focus to people-focus. The modern manager is expected to be not just a supervisor of tasks, but a steward of human potential and social trust.

Lesson -2: Approaches to Managerial Ethics

When a manager faces an ethical dilemma, they cannot rely on instinct alone. They need a framework—a logical method to evaluate the situation. In management theory, these frameworks are known as "Approaches to Managerial Ethics." For an exam, it is critical to understand that different approaches can lead to different solutions for the same problem. Scholars generally categorize these into four primary views: Utilitarian, Individualism, Moral-Rights, and Justice.

Approaches to Managerial Ethics

1. **The Utilitarian Approach (The Common Good)**
   (a) **Core Principle:** This approach asserts that moral behavior produces the greatest good for the greatest number. The manager acts as a calculator, weighing the costs and benefits of each alternative.
   (b) **Scholarly Basis:** Based on the work of Jeremy Bentham and John Stuart Mill.
   (c) **Application:** A manager decides to close an unprofitable branch and lay off 50 workers to save the company from bankruptcy, thereby saving the jobs of the remaining 500 employees. The suffering of the few is justified by the benefit to the many.
   (d) **Critique:** It can justify the "tyranny of the majority," ignoring the rights of minorities.

2. **The Individualism Approach (The Self-Interest)**
    (a) **Core Principle:** This approach contends that acts are moral when they promote the individual's best *long-term* interests.
    (b) **Scholarly Basis:** Rooted in Adam Smith's economic theory. The assumption is that if everyone pursues their self-interest (within the law), the "invisible hand" will maximize the overall welfare of society.
    (c) **Application:** A manager refuses to cheat a customer not because he loves the customer, but because he knows that cheating will ruin his reputation and harm his *long-term* career.
    (d) **Critique:** It is easily misinterpreted as immediate greed/egoism, which harms the organization.

3. **The Moral-Rights Approach (The Fundamental Liberties)**
    (a) **Core Principle:** This approach asserts that human beings have fundamental rights and liberties that cannot be taken away by an individual's decision. An ethically correct decision is one that best maintains the rights of those affected.
    (b) **Scholarly Basis:** John Locke (Natural Rights) and Immanuel Kant (Duty).
    (c) **Key Rights:**
        i. Right to Free Consent (Truthfulness).
        ii. Right to Privacy.
        iii. Right to Freedom of Conscience.
        iv. Right to Free Speech.
    (d) **Application:** A manager discovers an employee's political blog. Even if the blog annoys the boss (Utility), the manager cannot fire the employee because it would violate their right to free speech (Rights).

4. **The Justice Approach (The Fairness)**
    (a) **Core Principle:** This approach holds that moral decisions must be based on standards of equity, fairness, and impartiality.
    (b) **Types of Justice:**
        i. **Distributive Justice:** Different treatment of people should not be based on arbitrary characteristics (race, gender) but on valid differences (performance, skills).
        ii. **Procedural Justice:** Rules should be administered fairly. Rules should be clearly stated and consistently and impartially enforced.
        iii. **Compensatory Justice:** Individuals should be compensated for the cost of their injuries by the party responsible.
    (c) **Application:** Two employees commit the same error. If the manager forgives the one they like and punishes the other, they have violated the Justice approach.

In conclusion, these approaches serve as the "ethical lenses" of management. The Utilitarian view looks at the *consequences*, the Individualism view looks at *incentives*, the Rights view looks at *entitlements*, and the Justice view looks at *process*. A wise manager typically combines these approaches, ensuring that the pursuit of the "greater good" (Utility) never tramples on basic human rights or fair procedure.

Lesson -3: Rights and Obligations of Management

In the study of managerial ethics, "Rights" and "Obligations" act as a balance scale. Management is granted specific powers (*Rights*) to ensure the organization functions efficiently, but these powers are conditional upon the fulfillment of specific duties

(*Obligations*). For a student, it is critical to understand that a manager's rights are not absolute privileges but functional tools designed to serve the organization's stakeholders.

Rights and Obligations of Management

1. **Rights of Management (Managerial Prerogatives)**
   These are the entitlements deemed necessary for managers to direct the organization toward its goals.
   (a) **Right to Decision Making:** The fundamental right to determine the strategic direction of the firm, allocate resources (capital and labor), and set policy.
   (b) **Right to Hire and Fire:** The authority to select personnel based on merit and to terminate employment based on performance or economic necessity (governed by labor laws).
   (c) **Right to Innovation:** The right to introduce new methods, technologies, or products to improve efficiency, even if it disrupts current workflows.
   (d) **Right to Control:** The authority to monitor employee performance and enforce organizational discipline and standards.

2. **Obligations of Management (The Fiduciary Duties)**
   With the power of management comes the weight of duty. These are often legally binding.
   (a) **Fiduciary Duty (The Duty of Loyalty):**
   i. **Definition:** Managers are "Agents" of the "Principals" (Shareholders). They have a legal and ethical obligation to act solely in the best interest of the owners, not for personal gain.
   ii. **Restriction:** This strictly prohibits "Insider Trading" or self-dealing (awarding contracts to one's own private company).
   (b) **Duty of Care:**
   i. **Definition:** The obligation to make decisions with the prudence, diligence, and skill that a "reasonable person" would use in similar circumstances. A manager cannot be negligent or reckless with company assets.
   (c) **Obligations to Employees:**
   i. To provide a safe working environment (Physical safety).
   ii. To provide fair compensation and due process (Procedural justice).
   iii. To respect privacy and dignity (Moral rights).
   (d) **Obligations to Consumers:**
   i. To ensure "Truth in Advertising" (avoiding deception).
   ii. To ensure "Product Safety" (avoiding harm).

3. The Correlation

Scholars note a direct correlation: The higher the rank, the broader the rights, and the heavier the obligations. A CEO has the right to sell a division (high right) but the obligation to ensure it doesn't bankrupt the company or illegally mistreat laid-off workers (high obligation).

To conclude, managerial ethics is the study of how these two forces interact. Unethical management often arises when managers exercise their *Rights* (power) while ignoring their *Obligations* (duty). A comprehensive understanding of this section clarifies that management is not a position of ownership, but a position of Stewardship.

Lesson -4: Factors of Managerial Unethical Practices

Understanding *why* managers behave unethically is as important as knowing what is ethical. It is rarely just about "bad apples." Often, it is a complex mix of individual psychology, organizational pressure, and structural ambiguity. For a student, analyzing these factors is crucial for recognizing the warning signs in a future workplace.

Factors of Managerial Unethical Practices

1. **Individual Factors (The Person)**
    a) **Moral Development Level:** Based on **Lawrence Kohlberg's** theory. Managers at the "Pre-conventional" level act only to avoid punishment or gain reward. They lack internal principles and are more likely to cheat if they think they won't get caught.
    b) **Ego Strength:** Managers with weak ego strength rely heavily on external opinion and are more likely to conform to unethical group norms.
    c) **Locus of Control:**
        i. *External Locus:* Managers believe destiny/luck controls their life ("I had no choice, the boss made me do it"). They are more prone to unethical behavior.
        ii. *Internal Locus:* Managers believe they control their own destiny. They are more likely to resist pressure.

2. **Organizational Factors (The Place)**
    a) **Pressure for Performance:** The single biggest driver. The mantra "make the numbers or else" forces managers to cut corners (e.g., the Wells Fargo account fraud scandal).
    b) **Unrealistic Goals:** When targets are set so high they are impossible to achieve legally, managers feel forced to cheat.
    c) **Structural Ambiguity:** When job descriptions and rules are vague ("Just get it done, I don't care how"), it creates a grey area where unethical behavior thrives.
    d) **Performance Appraisal Systems:** If a company talks about ethics but only rewards financial results, managers will quickly learn to ignore ethics.

3. **The "Bad Barrel" Theory**

    Scholars argue that sometimes "good apples" (good people) are spoiled by a "bad barrel" (corrupt culture). If top management models unethical behavior (e.g., padding expense accounts), it signals to lower managers that such behavior is acceptable.

4. **External Factors (The Environment)**
    (a) **Competition:** Intense market competition can lead managers to engage in industrial espionage or bribery just to survive.
    (b) **Political/Cultural Context:** In countries where corruption is systemic (cultural relativism), managers may feel compelled to pay bribes just to operate effectively.

In summary, managerial unethical practices are rarely the result of a single cause. They arise when an Individual with low moral development meets an organization with high pressure and low accountability. Preventing this requires not just hiring "good people," but building "good systems" that reduce pressure and reward integrity.

Lesson -5: Status of Managerial Ethics

The "Status of Managerial Ethics" refers to the current standing of moral behavior in the global business community. It answers the question: *Are we getting better or worse?* For a student, the current status is characterized by a paradox: never has there been more talk about ethics (seminars, codes, courses), yet corporate scandals continue to occur with alarming regularity. This section evaluates where the profession stands today.

Status of Managerial Ethics

1. **The Rise of Scrutiny (The Glass House Effect)**
   (a) **Current Status:** Management is operating in a "glass house." In the age of social media and 24-hour news cycles, unethical behavior is exposed almost instantly.
   (b) **Impact:** This has forced a shift from "Reactive Ethics" (apologizing after a scandal) to "Proactive Ethics" (preventing it). Managers are now acutely aware that their internal emails could become public headlines tomorrow.
   (c) **Metric:** The rise of ESG (Environmental, Social, and Governance) investing means that ethics is now a financial metric. Investors are actively avoiding companies with poor governance records.

2. **The Credibility Gap**
   (a) **Definition:** There remains a significant gap between what managers *say* (PR statements, Mission Statements) and what they *actually do* under pressure.
   (b) **Evidence:** Studies like the Edelman Trust Barometer frequently show that the public trusts business leaders less than scientists or local community leaders.
   (c) **Cause:** This skepticism is fueled by "Greenwashing" (faking environmental care) and "Woke-washing" (faking social awareness), where managers use ethics as a marketing tool rather than a moral compass.

3. **Professionalization of Management**
   (a) **Shift:** There is a growing movement to treat management as a formal "Profession" (like Medicine or Law) which requires a binding oath.
   (b) **The MBA Oath:** Started by Harvard students, this is a voluntary pledge where managers promise to create value responsibly and ethically. It symbolizes a desire among the new generation of managers to change the status quo.

4. **The Globalization Challenge**
   (a) **Complexity:** The status of ethics is complicated by global supply chains. A manager in New York might be ethical, but their supplier in a developing nation might be using forced labor.
   (b) **Current Trend:** "Supply Chain Responsibility" is the new standard. Managers are now held responsible for the ethics of their entire supply chain, not just their immediate office.

To summarize, the status of managerial ethics is in transition. We have moved past the era where "greed is good," but we have not yet reached the era where integrity is universal. The modern manager works in a high-stakes environment where ethical failures are punished more severely than ever before, making ethics a survival skill rather than just a virtue.

Lesson -6: Ways to Ethical Managerial Decisions

"Ways to Ethical Managerial Decisions" refers to the practical mechanisms and systematic approaches an organization uses to ensure its managers act with integrity. It is not enough to simply hope managers will be good; the organization must provide the *infrastructure* for ethics. For a student, this section bridges the gap between abstract philosophy and daily corporate operations, answering the question: *How do we institutionalize ethics?*

Ways to Ethical Managerial Decisions

1. **Top Management Commitment (The Tone at the Top)**
   (a) **Significance:** This is the single most critical factor. If the CEO and senior executives do not model ethical behavior, no policy will matter.
   (b) **Action:** Leaders must punish unethical behavior even by high performers and reward ethical behavior even when it costs money. This signals that integrity is a core value, not a slogan.
2. **Establishing a Code of Ethics**
   (a) **Definition:** A formal document that states an organization's primary values and the ethical rules it expects managers to follow.
   (b) **Function:** It serves as a "Rule Book" to reduce ambiguity. It clarifies specifics, such as the exact value of gifts that can be accepted or conflict of interest policies.
   (c) **Scholarly Note:** A code must be specific enough to be enforceable but broad enough to cover unforeseen situations.
3. **Ethics Training Programs**
   (a) **Purpose:** To improve the "Moral Awareness" of managers.
   (b) **Method:** Seminars, workshops, and case study analysis help managers recognize ethical dilemmas (which are often hidden in financial or technical decisions) and practice using frameworks like the Utilitarian or Rights approach to solve them.
4. **The Selection System (Hiring)**
   (a) **Prevention:** The best way to ensure ethical decisions is to hire ethical people.
   (b) **Tools:**
      (i) **Background Checks:** To screen for past dishonesty.
      (ii) **Integrity Tests:** Psychological assessments designed to measure honesty and rule-adherence.
      (iii) **Interviewing:** Asking candidates how they handled past ethical dilemmas.
5. **Whistleblowing Mechanisms**
   (a) **Definition:** Establishing secure, anonymous channels (like hotlines or ombudsmen) where employees can report unethical managerial practices without fear of retribution.
   (b) **Importance:** It acts as an early warning system. Without protection, the fear of being fired keeps most unethical decisions hidden until they destroy the company.

6. **Ethics Committees and Officers**
   Governance:
   (i) **Ethics Officer:** A high-level executive (often C-suite) responsible for integrating ethics into the strategy and monitoring compliance.
   (ii) **Ethics Committee:** A cross-functional group that adjudicates complex violations and reviews the Code of Ethics regularly.
7. **Ethical Performance Appraisals**
   Alignment: Management often fails when it preaches ethics but rewards only profits. An ethical system must explicitly include "adherence to values" as a metric in performance reviews and bonus calculations.

In conclusion, ethical managerial decisions are not the result of chance; they are the result of design. By combining strong leadership ("The Tone") with structural tools like Codes, Training, and Hotlines ("The System"), an organization creates a culture where doing the right thing becomes the "path of least resistance" for its managers.

Lesson -7: Managerial Code of Ethics

A Managerial Code of Ethics is the "Constitution" of an organization's moral life. It is a formal, written document that outlines the primary values and ethical rules managers are expected to uphold. For a student, this is not just a piece of paper; it is a professional shield. It protects the manager by clearly defining boundaries, and it protects the organization by setting a standard for behavior. In many modern corporations, signing this code is a mandatory condition of employment.

Managerial Code of Ethics

1. **Definition and Purpose**
   (a) **Definition:** A public statement of the principles that guide the organization's decision-making and the specific rules of conduct for its officers.
   (b) **Purpose:**
      i. **Clarification:** To remove ambiguity (e.g., Is a $100 lunch a gift or a bribe?).
      ii. **Guidance:** To help managers navigate "grey areas" where the law is silent.
      iii. **Public Trust:** To signal to customers and investors that the company operates with integrity.
2. **Key Components of a Managerial Code**

A comprehensive code typically contains three levels of content:

Level 1: Core Values (The Spirit)

(a) *Integrity:* "We will be honest in all our dealings."
(b) *Respect:* "We treat everyone with dignity."
(c) *Responsibility:* "We are accountable for our actions."

Level 2: Specific Rules (The Letter)

(a) **Conflict of Interest:** Managers must disclose any personal financial interest in suppliers or competitors. "Moonlighting" (second jobs) may be prohibited.
(a) **Gifts and Entertainment:** Strict limits on receiving gifts (e.g., "No gifts over $50").
(b) **Confidentiality:** Managers must protect proprietary information (trade secrets) and employee privacy (medical records).

(c) **Use of Corporate Assets:** Company cars, computers, and funds are for business use only, not personal use.
(d) **Insider Trading:** Strictly prohibiting the use of non-public information for stock trading.

Level 3: Enforcement and Sanctions

(a) The code must state the consequences of violation, ranging from a warning to termination or legal action.
(b) It outlines the **Reporting Mechanism** (who to contact if you see a violation).

3. Code of Ethics vs. Code of Conduct

While often used interchangeably, there is a technical distinction:

(a) **Code of Ethics:** Value-based. It sets general principles (e.g., "Act with integrity"). It guides *judgment*.
(b) **Code of Conduct:** Rule-based. It sets specific behaviors (e.g., "Do not arrive late"). It guides *compliance*.

4. The "Living Document" Principle

Scholars argue that a code must be a "living document." It needs to be updated regularly to address new challenges (like AI ethics, data privacy, or remote work protocols) and must be part of regular training, not just signed once and forgotten.

In conclusion, a Managerial Code of Ethics transforms abstract moral philosophy into concrete professional standards. It serves as the ultimate reference point for a manager. When in doubt, the manager looks to the Code. If the Code is silent, they look to the principles. It is the bedrock of organizational culture, ensuring that "doing the right thing" is not just a personal choice, but a professional requirement.

Discussion Questions

1. Discuss the changing values of management in the contemporary business environment. How have managerial values evolved from the traditional to the modern approach?
2. Critically compare the four major approaches to managerial ethics—Utilitarian, Individualism, Moral Rights, and Justice. Which approach is most appropriate for managerial decision-making?
3. Explain the rights and obligations of management. Why is balancing managerial authority with ethical responsibility essential for organizational success?
4. Analyze the major factors that contribute to unethical managerial practices. Suggest practical measures that organizations can adopt to minimize unethical behavior.
5. Evaluate the current status of managerial ethics in the global business environment. Discuss the challenges managers face in maintaining ethical standards in the era of globalization and digitalization.
6. Discuss the various ways organizations can promote ethical managerial decision-making. Explain the role of leadership, ethics training, whistleblowing mechanisms, and ethics committees.
7. What is a Managerial Code of Ethics? Discuss its major components and explain how an effective code of ethics contributes to ethical organizational culture and corporate governance.

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Corporate Ethics

5

Unit Highlights

- Status of Corporations
- Collective Responsibility
- Corporate Moral Decisions
- Ethical Extent of Access to Corporate Information
- Corporate Ethical Environment

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Corporate Ethics

"Corporate Ethics" elevates the discussion from the individual manager (Managerial Ethics) to the entity itself—the Corporation. This chapter explores the unique moral status of a company: Is it a "person" with a conscience, or just a legal fiction? It delves into how decisions are made collectively, the transparency required regarding corporate information, and how to cultivate an environment where ethical behavior is the norm. For a student, this is the study of the "organizational soul."

Learning Objectives

By the end of this chapter, the learner will be able to:

- Debate the moral status of a corporation (is it a moral agent?).
- Analyze the concept of "Collective Responsibility" and how it differs from individual liability.
- Evaluate the decision-making structures that lead to corporate moral decisions.
- Determine the ethical boundaries of accessing and disclosing corporate information (transparency vs. secrecy).
- Assess the components that create a healthy Corporate Ethical Environment.

Sample Questions

- **Conceptual:** "Can a corporation have a 'conscience'? Discuss this with reference to the 'Moral Person' theory."
- **Analytical:** "If a team makes a defective product, is the entire team responsible (Collective Responsibility), or only the leader? Justify your answer."
- **Applied:** "Analyze the ethical conflict between 'Trade Secrets' and 'Public Right to Know' in the context of a pharmaceutical company hiding negative drug trial data."
- **Critical Thinking:** "Describe the 'Bad Apple vs. Bad Barrel' argument in corporate ethics. How does leadership style influence the 'Barrel'?"

Lesson -1: Status of Corporations

The "Status of Corporations" is one of the most fundamental debates in business ethics. It asks a simple but profound question: *Who is responsible when a company does wrong?* Is it the individual human beings inside the company, or is the company itself a "moral person" that can be blamed and punished? For a student, understanding this distinction is crucial because it determines whether we send a CEO to jail or fine the corporation billions of dollars.

Status of Corporations

1. The Two Perspectives

Scholars generally divide this debate into two opposing views:

(a) **The Legalist View (Corporation as a Machine):**

  (i) **Concept:** A corporation is merely a legal fiction—an artificial creation of the state. It has no soul, no mind, and no conscience.

  (ii) **Implication:** As the famous quote goes, "A corporation has no pants to kick and no soul to damn." Therefore, it cannot be held *morally* responsible. Only the *individuals* (directors, managers) within it can be blamed.

(iii) **Analogy:** If a car hits a pedestrian, you blame the driver, not the car. The corporation is the car; the managers are the drivers.

(b) **The Moralist View (Corporation as a Person):**

(i) **Concept:** A corporation acts, decides, and impacts society just like a person. It has a distinct identity separate from its employees.

(ii) **Implication:** Since it has "intentionality" (it plans to do things), it can be held morally responsible. It can be "shamed" (bad press), "punished" (fines), or "killed" (revocation of its charter).

2. The Legal Status (Artificial Personhood)

(i) **Definition:** Legally, corporations are treated as "artificial persons."

(ii) **Rights:** They can own property, sign contracts, sue, and be sued. In the US, they even have free speech rights (e.g., *Citizens United* case).

(iii) **Limitations:** They cannot vote, marry, or hold public office. Their "personhood" is a legal convenience to allow commerce, not a moral truth.

3. The Moral Status (Peter French's Theory)

(a) **Proponent:** Philosopher **Peter French** is the leading voice for corporate moral agency.

(b) **The CID Structure:** He argues that every corporation has a Corporate Internal Decision (CID) Structure.

a. **Flowchart:** There is a clear chain of command.

b. **Rules:** There are clear policies on how decisions are made.

(c) **The Argument:** When a decision flows through the CID structure (e.g., a Board vote), it ceases to be the decision of just Mr. Smith or Ms. Jones. It becomes the "Corporation's Intent." Therefore, the corporation itself is a moral agent.

4. Why Does This Matter?

(a) **Accountability:** If we only blame individuals, the corporation can just "fire the scapegoat" and keep acting unethically.

(b) **Deterrence:** If we blame the corporation (moral status), we can impose massive penalties that force the *entire* organization to change its culture, not just replace one manager.

In summary, the status of a corporation is dual. Legally, it is a fiction designed for business. Morally, it is increasingly viewed as an agent with a conscience. Modern ethics demands that corporations accept this moral status, acknowledging that their "license to operate" depends on behaving like a responsible citizen, not just a profit machine.

Lesson -2: Collective Responsibility

Collective Responsibility addresses one of the most difficult puzzles in corporate ethics: *How do we assign blame when a negative outcome is the result of the actions of many different people?* In a large corporation, rarely is one single person solely responsible for a disaster. Often, it is a combination of a designer's error, a manager's oversight, and a board's budget cut. For a student, this concept explains why, after a major oil spill or data breach, the *entire* company faces backlash, not just the employee who pressed the wrong button.

Collective Responsibility

1. The "Problem of Many Hands"

(a) **Definition:** A phenomenon described by philosopher Dennis Thompson. It occurs when a complex organization makes a decision, and the contribution of any single individual is so small or fragmented that it is impossible to pin the moral responsibility on just one person.
(b) **The Dilemma:** If no single individual can be blamed, does that mean *no one* is responsible? Collective Responsibility solves this by holding the group accountable.
(c) **Example:** In the Challenger Space Shuttle disaster, engineers raised concerns, managers ignored them due to pressure, and executives approved the launch. No single person "killed" the astronauts, but the *collective* failure of the group did.

2. Types of Group Responsibility

Scholars distinguish between how a group can be held responsible:

(a) **Aggregate Responsibility (The Sum):**

i. The responsibility of the group is simply the sum of the responsibilities of the individuals.
ii. *Example:* If a mob loots a store, every individual in the mob is guilty.

(b) **Conglomerate/Corporate Responsibility (The Entity):**

i. The responsibility belongs to the organization itself, independent of the individuals.
ii. *Example:* A corporation is fined for pollution. The corporation pays from its treasury. The shareholders (who didn't pollute) lose money, and the employees (who didn't pollute) might lose bonuses. The *entity* is punished.

3. The Spectrum of Blame

When assigning collective responsibility, we analyze the level of involvement:
(a) **Direct Actors:** Those who actually performed the unethical act.
(b) **Authority Figures:** Those who ordered it or failed to supervise.
(c) **Silent Observers:** Those who knew it was happening but did nothing (Complicity).
(d) **Beneficiaries:** Those who didn't know but profited from the unethical act.

4. The Danger of Scapegoating

Definition: Blaming one or two individuals for a systemic failure to satisfy public anger, leaving the corrupt system intact.
Ethical Failure: Collective responsibility argues that firing a CEO is insufficient if the *culture* that created the CEO remains. True responsibility requires fixing the corporate structure.

In summary, Collective Responsibility prevents individuals from hiding behind the bureaucracy. It asserts that when people join a corporation, they become part of a "Moral Team." If the team wins, they all share the bonus; if the team cheats, they all share the shame. This concept forces employees to look out for each other's ethical behavior, knowing that the actions of one affect the reputation of all.

Lesson -3: Corporate Moral Decisions

A "Corporate Moral Decision" is distinct from an individual's private choice. It is a decision that has been processed through the organization's rules, policies, and hierarchy, ultimately becoming the "voice" of the company. For a student, understanding this process is vital because it explains how decent individuals can collectively make terrible decisions (like the Ford Pinto gas tank issue or the Volkswagen emissions scandal) when the corporate machinery prioritizes profit over principle.

Corporate Moral Decisions

1. The Corporate Internal Decision (CID) Structure

(a) **Definition:** Proposed by philosopher Peter French, the CID Structure is the mechanism by which a corporation "makes up its mind." It transforms individual opinions into corporate action.

(b) **Two Elements:**

i. **Organizational Flowchart:** This defines *who* has the authority (from the Board $\rightarrow$ CEO $\rightarrow$ Manager).

ii. **Procedural Rules:** These define *how* decisions are ratified (e.g., "All expenditures over $10k must be approved by Finance").

(c) **Significance:** A decision is only "corporate" if it follows this path. If a rogue employee acts alone, it is not a corporate decision. If the Board votes on it, it is.

2. Rationality: Efficiency vs. Morality

Corporate decisions are often driven by different types of logic:

(a) **Instrumental Rationality (The "How"):**

i. Focuses on the most efficient means to achieve a goal (usually profit).

ii. *Question asked:* "What is the cheapest way to dispose of this waste?"

(b) **Value Rationality (The "Why"):**

i. Focuses on the inherent value or ethics of the goal itself.

ii. *Question asked:* "Is it right to dump this waste in the river?"

(c) **The Conflict:** Ethical failure occurs when Instrumental Rationality dominates, silencing **Value Rationality**. The corporation becomes a "rational psychopath"—highly efficient but morally blind.

3. Psychological Traps in Group Decisions

Groups often make different (and riskier) decisions than individuals.

(a) **Groupthink:**

(i) **Definition:** A psychological phenomenon where the desire for harmony and conformity in the group results in an irrational or dysfunctional decision-making outcome.

(ii) **Symptoms:** Illusion of invulnerability ("We can't fail"), self-censorship (keeping doubts to oneself), and stereotyping outsiders/critics.

(iii) **Result:** Ethical concerns are dismissed as "negativity" or "disloyalty."

(iv) **Risky Shift:** The tendency for groups to make decisions that are riskier than the average of the individual members' decisions, because responsibility is diffused.

4. **Ethical Blind Spots**
   (a) **Bounded Ethicality:** The idea that our ability to behave ethically is limited (bounded) because we don't always *see* the ethical dimensions of a decision. We frame it as a "business decision" (cost/benefit) rather than an "ethical decision" (right/wrong).
   (b) **Inattentional Blindness:** Focusing so hard on a specific task (e.g., hitting the quarterly sales target) that managers literally fail to see the unethical behavior happening right in front of them.

In summary, Corporate Moral Decisions are complex products of structure and psychology. They are not merely the sum of individual choices but the output of a system. To ensure these decisions are ethical, organizations must intentionally design their CID structures to include "ethical checkpoints" and cultivate a culture that welcomes dissent rather than enforcing "Groupthink."

Lesson -4: Ethical Extent of Access to Corporate Information

In the Information Age, data is often the most valuable asset a corporation owns. The "Ethical Extent of Access" refers to the moral boundaries defining who is allowed to see this data. It involves a delicate balancing act between Proprietary Rights (the company's right to keep secrets for competitive advantage) and Transparency (the stakeholder's right to know truth). For a student, this section explores the conflict between privacy and accountability.

Ethical Extent of Access to Corporate Information

1. **The Principle of Transparency vs. Secrecy**
   (a) **Transparency (The Public Right):** Corporations, as social institutions, have an ethical obligation to disclose information that affects the well-being of stakeholders. This includes financial health, safety data, and environmental impact.
   (b) **Secrecy (The Private Right):** Corporations also have a right to protect "Intellectual Property" (IP). If a company spends millions developing a new technology, they are ethically entitled to keep it secret to recover their investment.
   (c) **The Ethical Boundary:** Secrecy is ethical when it protects innovation (e.g., the recipe for Coca-Cola). Secrecy is unethical when it hides harm (e.g., hiding data that a car's brakes are defective).

2. **Insider Trading (Abuse of Access)**
   (a) **Definition:** The buying or selling of a public company's stock by someone who has access to material, non-public information about the stock.
   (b) **Ethical Violation:** It violates the principle of **Fairness** and a **Level Playing Field**. It allows insiders to profit at the expense of regular investors who do not have access to that information.
   (c) **Fiduciary Breach:** An employee using company secrets for personal gain is violating their fiduciary duty of loyalty to the shareholders.

3. **Employee Privacy (Internal Access)**
   (a) **The Conflict:** How much access should a corporation have to its employees' private information?
   (b) **Monitoring:** Companies often monitor emails, keystrokes, and phone calls.

(c) **Ethical Standard:**

i. **Relevance:** Monitoring is ethical only if it is relevant to business performance (e.g., ensuring no harassment).

ii. **Consent:** Employees should be informed *beforehand* that they are being monitored. "Secret surveillance" is generally viewed as unethical.

(d) **Health Data:** With rising healthcare costs, companies want access to employee health data. Ethically, this must be kept strictly confidential to prevent discrimination (e.g., firing someone because they might get cancer).

4. Information Asymmetry (Consumer Access)

(a) **Definition:** A situation where one party (the seller) has more or better information than the other (the buyer).

(b) **Ethical Obligation:** Business ethics demands that companies voluntarily reduce this asymmetry.

i. *Example:* A used car dealer knows the engine is bad. The buyer doesn't. The dealer has an ethical duty to disclose this, even if it kills the sale.

ii. *Labeling:* Food companies must list ingredients so consumers can make informed choices (e.g., regarding allergies).

5. Trade Secrets and Industrial Espionage

(a) **Trade Secrets:** Information (formulas, patterns, programs) that derives economic value from not being generally known.

(b) **Ethical Access:** Competitors have *no* ethical right to access this.

(c) **Unethical Practice:** Industrial Espionage (stealing secrets, bribing employees of a rival, or hacking) is a severe ethical and legal violation. It undermines the incentive to innovate.

In conclusion, the ethical extent of access is determined by the "Need to Know" versus the "Right to Know." Investors have a right to know the financials; consumers have a right to know the safety risks; but competitors do not have a right to know the trade secrets. A moral corporation creates a "Glass Wall"—transparent enough to build trust, but strong enough to protect its competitive core.

Lesson -5: Corporate Ethical Environment

A Corporate Ethical Environment (often called Corporate Culture or Ethical Climate) is the intangible atmosphere within an organization that determines "how things are really done around here." It is the collective conscience of the company. For a student, understanding this is critical because even the most moral individual can be corrupted by a toxic environment. Conversely, a strong ethical environment can guide an average employee to act with heroism. It is the ecosystem in which decisions are made.

Corporate Ethical Environment

1. Components of the Ethical Environment

Scholars divide the ethical environment into two parallel systems that must be aligned:

(a) The Formal System (The Written Rules):

i. **Codes of Conduct:** The official rulebook.

ii. **Structure:** Ethics committees, officers, and hotlines.

iii. **Training:** Seminars and workshops.

iv. **Performance Management:** Formal reviews and audits.

(b) The Informal System (The Unwritten Rules):

i. **Norms:** The standard behavior expected by peers (e.g., "Nobody leaves before the boss does").

ii. **Heroes and Role Models:** Who does the company celebrate? The high-earner who cuts corners, or the steady worker who follows the rules?

iii. **Rituals and Stories:** The legends told in the breakroom (e.g., "Remember when the CEO returned that expensive gift?").

iv. **Language:** Is ethical language used (e.g., "integrity," "fairness"), or only financial language (e.g., "bottom line," "cost-cutting")?

2. The "Tone at the Top" (Leadership)

(a) **Definition:** The ethical atmosphere created by the leadership of the organization.

(b) **Impact:** Employees watch their leaders for cues. If the CEO preaches integrity but pads their expense account, the environment becomes cynical.

(c) **Behavioral Modeling:** Leaders must not only *talk* about ethics but *model* it, especially during crises.

3. Reward and Punishment Systems

(a) **The Alignment Problem:** A major cause of unethical environments is "Folly."

(b) **The Folly:** Hoping for A (Ethics) while rewarding B (Aggressive Profits).

(i) *Example:* If a bank demands that tellers open 10 new accounts a day or be fired, the environment *forces* tellers to create fake accounts (as seen in the Wells Fargo scandal), regardless of the Code of Ethics.

(c) **Healthy Environment:** Rewarding the *means* (how you achieved the result), not just the *ends* (the result itself).

4. Types of Ethical Climates

Scholars Victor and Cullen identified different "climates" based on what is prioritized:

(a) **Efficiency Climate:** Focuses on productivity at all costs (High risk of ethics violations).

(b) **Law and Code Climate:** Focuses on strict compliance with rules (Safe but rigid).

(c) **Caring Climate:** Focuses on the well-being of employees and customers (High trust).

(d) **Independence Climate:** Individuals are left to their own moral devices (inconsistent).

5. Maintaining a Healthy Environment

(a) **Consistency:** The formal and informal systems must match.

(b) **Openness:** A culture where "Bad News" travels fast. Employees must feel safe to report problems without fear of "shooting the messenger."

(c) **Fairness:** Justice must be visible. If a top performer violates the rules, they must be punished just as severely as a junior employee.

In conclusion, a Corporate Ethical Environment is not built by writing a policy manual; it is built by consistent daily actions. It is the soil in which the corporation grows. If the soil is toxic (high pressure, low trust), the fruit will be rotten (fraud, scandal). If the soil is healthy (transparency, accountability), the corporation will thrive sustainably.

Discussion Questions

1. Discuss the moral status of corporations. Should a corporation be regarded as a moral agent responsible for its actions? Justify your answer with appropriate theories.
2. Explain the concept of collective responsibility in corporate ethics. How does it differ from individual responsibility in organizational decision-making?
3. Critically examine the process of corporate moral decision-making. How do organizational structure and group dynamics influence ethical decisions?
4. Discuss the ethical boundaries of access to corporate information. How should organizations balance transparency, confidentiality, and stakeholders' right to know?
5. Evaluate the ethical issues associated with insider trading, employee privacy, and trade secrets in modern organizations.
6. What is a corporate ethical environment? Discuss the key factors that contribute to developing and maintaining an ethical organizational culture.
7. "Ethical leadership is the foundation of a strong corporate ethical environment." Discuss this statement with suitable examples from contemporary organizations.

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Ethical Expectations (Employers & Employees, Buyer & Seller)

6

Unit Highlights

- The Organization of Work
- Wages & Benefits
- Working Conditions
- Employee Rights
- Disciplining
- Gifts and Entertainment
- Expectations to and from Employers & Employees
- Employee Privacy Issues
- Sellers Must Know Their Marketing Missions
- The Position of the Buyers Compared to the Sellers
- The Responsibilities of Business
- Sellers Rights as a Market Power
- Consumer Protection Measures

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Ethical Expectations (Employers & Employees, Buyer & Seller

This chapter bridges the gap between the internal world of the corporation (Human Resources) and the external world of the market (Marketing). It examines the two most fundamental contracts in business: the Employment Contract (between boss and worker) and the Sales Contract (between seller and buyer). For a law student, this is where abstract ethical theories meet real-world statutes like the *Bangladesh Labor Act, 2006* and the *Consumer Rights Protection Act, 2009*. The core theme is the balance of Power and Vulnerability.

Learning Objectives

By the end of this chapter, the learner will be able to:

- Evaluate the ethical implications of wage setting, specifically the difference between a "Minimum Wage" and a "Living Wage."
- Analyze the rights of employees regarding privacy, due process, and safe working conditions.
- Distinguish between acceptable corporate hospitality (Gifts) and unethical corruption (Bribery).
- Critique the shift from *Caveat Emptor* (Buyer Beware) to *Caveat Vendor* (Seller Beware).
- Assess the responsibilities of marketers regarding truth in advertising and the protection of vulnerable consumers.
- Apply the provisions of the *Consumer Rights Protection Act* to marketing scenarios.

Lesson-1: The Organization of Work

"The Organization of Work" refers to the way tasks, duties, and responsibilities are structured and assigned within a company. From an *economic* perspective, the goal is purely efficiency: getting the most output for the least input. However, from an *ethical* perspective, the organization of work is a question of Human Dignity. The central ethical debate here is whether we design the job to fit the human, or force the human to fit the machine.

The Organization of Work

1. **The Classical View: Scientific Management (Taylorism)**
   (a) **The Concept:** Developed by Frederick Taylor in the early 20th century, this approach treats work as an engineering problem.
   (b) **Method:** Break down complex jobs into tiny, repetitive, and simple tasks. The manager does the thinking; the worker does the doing.
   (c) **Example:** In a Bangladeshi garment factory (RMG), one worker does not sew a whole shirt. One worker sews the collar, another sews the sleeve, and a third sews the button—thousands of times a day.
   (d) **The Ethical Problem (Dehumanization):**
      (i) **"Cog in the Machine":** This method strips the worker of autonomy and creativity. They become a "living tool."
      (ii) **Monotony:** Extreme repetition leads to mental stagnation and physical injury (RSI). The worker is valued only for their hands, not their mind.

2. **The Marxist Critique: Alienation**
   (a) **The Concept:** Karl Marx argued that the capitalist organization of work leads to Alienation (estrangement).
   (b) **Four Forms of Alienation:**
      (i) **From the Product:** The worker makes a luxury car but can only afford a bicycle. They have no connection to what they create.
      (ii) **From the Process:** The worker has no say in *how* they work; they just follow orders.
      (iii) **From Others:** Workers compete against each other for bonuses rather than collaborating.
      (iv) **From Self:** Work becomes a means to survive, not an expression of human potential. The worker feels "dead" at work and only "alive" at home.

3. **The Modern Ethical Challenge: The Gig Economy**
   (a) **The Shift:** Platforms like Uber, Pathao, or Foodpanda have reorganized work into "Gigs" (short-term tasks).
   (b) **The Promise (Autonomy):** Workers are told they are "partners" or "entrepreneurs." They can choose when to work. This respects their freedom.
   (c) **The Reality (Precarity):**
      (i) **Misclassification:** Ethics scholars argue this is often a loophole to avoid the responsibilities of an employer. "Partners" don't get sick leave, insurance, or provident funds.
      (ii) **Algorithmic Management:** Instead of a human boss, an algorithm (the App) organizes the work. If you are too slow, the App "fires" (deactivates) you without a hearing. This lacks Due Process.

4. **The Ethical Solution: Job Enrichment & Quality of Work Life (QWL)**
   To organize work ethically, managers must move from "controlling" to "empowering."
   (a) **Job Enlargement:** Giving workers a wider variety of tasks to reduce boredom.
   (b) **Job Enrichment:** Giving workers more control and responsibility (e.g., letting the factory worker inspect their own quality rather than a supervisor doing it).
   (c) **Autonomous Teams:** allowing groups of workers to manage themselves, set their own schedules, and solve their own problems.

In summary, the ethical organization of work requires balancing Efficiency with Humanity. While specialized, repetitive tasks (Taylorism) may be profitable in the short term, they degrade the human spirit. An ethical organization designs work that satisfies not just the wallet (wages) but the soul (meaning and autonomy).

Lesson -2: Wages & Benefits

In the study of business ethics, "Wages & Benefits" is arguably the most contentious topic. From an accounting perspective, wages are a Cost—something to be minimized to boost profits. From an ethical perspective, wages are an Income—the sole means of survival for the employee and their family. The ethical dilemma arises when the "Market Rate" for labor falls below the "Subsistence Rate" for living. For a student, this section challenges the idea that "fair pay" is simply whatever the worker agrees to accept.

Wages & Benefits

1. The Ethical Frameworks for Setting Wages

How should a company decide what to pay?

(a) **The Market Approach (Economic View):** Pay according to supply and demand. If there are 100 applicants for one job, the wage can be very low.
  (i) *Ethical Critique:* This treats human labor as a commodity (like coal or wheat). It ignores the human need for dignity and survival.

(b) **The Merit Approach (Performance View):** Pay according to contribution. The harder/better you work, the more you earn.
  (i) *Ethical Strength:* It promotes fairness and motivation (Distributive Justice).

(c) **The Needs Approach (Social View):** Pay according to what the worker needs to live a decent life.
  (i) *Ethical Mandate:* This argues that a full-time job should guarantee freedom from poverty.

2. Minimum Wage vs. Living Wage

This is the central debate in modern employment ethics.

(a) **Minimum Wage (The Legal Floor):**
  (i) **Definition:** The lowest amount an employer is legally required to pay (e.g., set by the Government Gazette in Bangladesh).
  (ii) **Nature:** It is often a result of political negotiation, not economic reality. In many developing nations, the legal minimum wage is often below the poverty line.

(b) **Living Wage (The Moral Floor):**
  (i) **Definition:** The amount of income needed to provide a decent standard of living. This includes food, water, housing, education, healthcare, transportation, and a small buffer for emergencies.
  (ii) **Ethical Obligation:** Ethics scholars argue that while paying the *minimum* wage keeps you out of jail, paying a *living* wage keeps you within the bounds of human rights. If a business cannot afford to pay a living wage, does it have a right to exist?

3. Executive Compensation (The Gap)

(i) **The Issue:** The massive disparity between the CEO's pay and the average worker's pay.
(ii) **The Ratio:** In the 1960s, CEOs earned about 20x the average worker. Today, in many global corporations, that ratio is over 300x.
(iii) **The Ethical Defense:** CEOs have rare skills and high stress; high pay is needed to attract talent.
(iv) **The Ethical Critique:** Does one person really work 300 times harder than another? This gap creates resentment (Alienation) and violates the principle of social cohesion.

4. Benefits: The "Social Wage"

Benefits are the non-cash compensation that provides security.

(a) **Types:** Health insurance, paid sick leave, parental leave, and retirement plans (Provident Fund/Gratuity).
(b) **The Gig Economy Loophole:** Many modern companies classify workers as "contractors" specifically to avoid paying these benefits.

(c) **Ethical Standard:** An ethical employer views benefits not as "perks" but as essential protections against the vulnerabilities of life (sickness, old age).

In summary, the ethics of Wages & Benefits asserts that labor is not merely an "input cost." An ethical wage policy recognizes that the paycheck determines the employee's quality of life, their children's education, and their health. Profit achieved by paying starvation wages is, ethically speaking, illegitimate profit.

Lesson-3: Working Conditions

"Working Conditions" refers to the physical, social, and psychological environment in which an employee performs their duties. Ethically, this goes beyond merely providing a desk and a chair. It is grounded in the Right to Life and the Duty of Care. Since employees spend approximately one-third of their adult lives at work, the conditions of that work have a direct impact on their physical health and mental sanity. The ethical mandate is clear: No profit margin justifies putting a worker's life or well-being at identifiable risk.

Working Conditions

1. **Physical Health and Safety (The Right to Life)**
   (a) **The Ethical Baseline:** Every employee has a moral right to return home in the same physical condition they arrived in.
   (b) **Hazards:**
      (i) **Safety Hazards:** Machinery without guards, slippery floors, fire risks (e.g., the lack of fire exits in the Tazreen Fashions fire).
      (ii) **Health Hazards:** Exposure to toxic chemicals (asbestosis, lead poisoning) or poor ergonomics leading to chronic injury.
   (c) **The Cost-Benefit Trap:** Unethical management often treats safety as a cost calculation. They might calculate that paying compensation to injured workers is cheaper than installing expensive safety equipment. This utilitarian calculation is universally condemned in modern ethics.
   (d) **OSHA and Compliance:** While laws (like the *Bangladesh Labor Act, 2006*) set minimum standards, ethical companies aim for "Safety Culture"—where safety is a value, not just a compliance checklist.

2. **Psychological Working Conditions**
   Modern ethics recognizes that a workplace can be physically safe but psychologically toxic.
   (a) **Harassment and Bullying:** The presence of sexual harassment, racial discrimination, or "mobbing" (group bullying) creates a hostile environment. Management has an ethical duty to police this strictly.
   (b) **Stress and Burnout:** Unreasonable workloads and "crunch culture" (forced overtime) lead to burnout. Ethically, employers must recognize the biological limits of human endurance.
   (c) **Emotional Labor:** Requiring employees (like flight attendants or call center agents) to suppress their true feelings and always smile, which can lead to psychological dissonance and distress.

3. **Work-Life Balance**
   (i) **The Right to Disconnect:** In the age of smartphones, the "workplace" often invades the home. Managers sending emails at 10 PM creates pressure to respond.
   (ii) **Ethical Standard:** Respecting the boundary between professional time and personal time is essential for the employee's role as a parent, citizen, and human being.

4. **Vulnerable Groups**
   (i) **Child Labor:** The most egregious violation of working conditions. Ethically, work should never interfere with a child's education or development.
   (ii) **Women and Maternity:** Ethical conditions require accommodations for pregnant workers and safety from gender-based violence, especially in night shifts.

In summary, providing ethical Working Conditions is an act of respect for human dignity. It requires a shift from viewing safety as a "legal nuisance" to viewing it as a "moral imperative." A company that creates wealth by destroying the health of its workers is, by definition, an unethical enterprise.

Lesson-4: Employee Rights

"Employee Rights" are the justifiable claims that an employee can make regarding their treatment by the employer. Historically, the employment relationship was governed by the doctrine of "Employment-at-Will," which meant an employer could fire a worker for "good cause, no cause, or even morally wrong cause." Modern ethics challenges this, asserting that when a citizen enters a workplace, they do not leave their civil liberties at the door. They retain fundamental human rights that limit the power of management.

Employee Rights

1. **The Right to Due Process (Fair Treatment)**
   (a) **Definition:** Due process is the right to be protected against the arbitrary use of authority. It means that an employer cannot discipline or fire an employee based on a whim, bias, or unproven allegation.
   (b) **Ethical Requirement:** Before any negative action (firing, demotion) is taken, the employee has the right to:
      (i) Know the specific charge against them.
      (ii) Have a fair and impartial hearing.
      (iii) Present evidence in their defense.
   (c) **Significance:** This right transforms the workplace from a "dictatorship" (where the boss's word is law) to a "rule of law" system.

2. **The Right to Freedom of Speech (Whistleblowing)**
   (a) **The Conflict:** This right often clashes with the **Duty of Loyalty**. Generally, employees are expected not to disparage their company.
   (b) **Internal Speech:** The right to criticize management policies internally without fear of retaliation.
   (c) **External Speech (Whistleblowing):** The right—and sometimes the moral obligation—to go public if the company is breaking the law or endangering the public.

(i) *Ethical Standard:* An employee has a right to blow the whistle if the harm is serious, they have facts to back it up, and they have tried internal channels first.

3. **The Right to Participation (Democracy in the Workplace)**
   (a) **Definition:** The right of employees to have a say in the decisions that affect their work lives.
   (b) **Collective Bargaining (Unions):** The most formal expression of this right. It acknowledges that an individual worker has zero power against a giant corporation. By organizing into a union, workers balance the power scales.
   (c) **Ethical View:** Unions are not just economic tools; they are ethical instruments that ensure Distributive Justice (fair share of profits) and Procedural Justice (fair rules).

4. **The Right to Privacy**
   (Note: While detailed in a later section, it is a fundamental right)
   (a) **Core Concept:** The right to be "left alone." It asserts that there is a boundary between the employee's "Work Self" and "Private Self."
   (b) **Limitation:** The employer has no ethical right to intrude into the employee's off-duty conduct, political views, or personal lifestyle, provided it does not harm the business.

In summary, Employee Rights impose a duty of restraint on employers. They ensure that efficiency does not trample dignity. An ethical organization recognizes that while they "buy" the labor, they do not "own" the laborer. The worker remains a free agent with rights that must be respected.

Lesson-5: Disciplining

Disciplining is the "necessary evil" of management. Ethically, it is the most difficult task a manager performs because it involves the deliberate infliction of pain (financial or psychological) on another human being. From a legal and ethical standpoint, discipline must never be used as a tool of revenge or power. Its sole legitimate purpose is Correction—to change behavior so the employee can succeed—or, in extreme cases, to protect the organization by removing a threat.

Disciplining

1. **The Foundation: Just Cause**
   (a) **Definition:** "Just Cause" is the ethical standard that protects employees from arbitrary dismissal. It requires that management has a valid, job-related reason for disciplining an employee.
   (b) **The Burden of Proof:** In an ethical system, the burden of proof is on the employer. You cannot say, "I fired him because I didn't like his attitude." You must say, "I fired him because he was late 15 times, and here are the time-logs."
   (c) **Categories of Just Cause:**
      (i) *Incompetence:* Inability to do the work despite training.
      (ii) *Misconduct:* Violation of rules (theft, fighting, insubordination).

2. **The Method: Progressive Discipline**

   Ethical discipline is rarely a sudden "You're Fired!" (unless the offense is gross misconduct like violence). Instead, it follows a stepped approach designed to give the employee a chance to improve.

   (a) **Verbal Warning:** A private conversation explaining the problem. "You were late today; please ensure it doesn't happen again."

   (b) **Written Warning:** A formal document placed in the personnel file. "This is a formal notice that continued lateness will result in suspension."

   (c) **Suspension:** A short period of unpaid leave. This is the "final wake-up call."

   (d) **Termination:** The last resort. It occurs only when all previous steps have failed to correct the behavior.

3. **The Standard: Procedural Justice (The "Hot Stove" Rule)**

   Proposed by Douglas McGregor, the "Hot Stove" rule provides a perfect analogy for ethical discipline. A hot stove burns you:

   (a) **Immediately:** The burn happens right when you touch it. (Discipline should occur soon after the infraction, not months later).

   (b) **With Warning:** The stove glows red before you touch it. (Employees must know the rules *before* they are punished for breaking them).

   (c) **Consistently:** The stove burns *everyone* who touches it, every time. (Discipline must be consistent. You cannot forgive a star performer while punishing a junior staffer for the same error).

   (d) **Impersonally:** The stove doesn't hate you; it burns because you touched it. (Discipline should focus on the *act*, not the *person*. "Your lateness is unacceptable," not "You are lazy.")

4. **Ethical Pitfalls in Disciplining**

   (a) **Inconsistency:** The quickest way to lose moral authority (and face a lawsuit) is selective enforcement.

   (b) **Privacy:** Discipline should be private. "Praise in public, punish in private." Humiliating an employee in front of peers is a violation of human dignity.

   (c) **Retaliation:** Disciplining an employee because they raised a safety concern or reported harassment is strictly unethical and illegal.

In summary, ethical disciplining acts as a Course Correction, not a penalty. It respects the employee's right to due process and the opportunity to redeem themselves. When a manager fires an employee ethically, there should be no surprise; the employee should realize that, through the progressive steps, they effectively fired themselves.

Lesson -6: Gifts and Entertainment

"Gifts and Entertainment" represents one of the murkiest waters in business ethics. On one hand, exchanging small tokens or sharing a meal is a universal human custom that builds trust and cements relationships. On the other hand, it is the most common gateway to Corruption. For a student, the critical skill here is learning to discern the fine line between a "gracious gesture" (which is ethical) and a "bribe" (which is criminal).

Gifts and Entertainment

1. The Ethical Distinction: Gift vs. Bribe

While they often look the same (money, goods, services), the ethical difference lies in the **Intent** and the **Effect**.

(a) **A Gift:** Is an expression of appreciation or goodwill. It is usually given openly. *Example:* Giving a logo-branded calendar or a modest box of sweets during a festival.

(b) **A Bribe:** Is a payment made with the intent to *influence* a decision or compromise the recipient's judgment. It is usually given in secret. *Example:* Giving a Purchasing Manager a new iPhone just before they decide which supplier to award a contract to.

2. The Tests for Ethical Validity

When a manager is offered a gift, they should apply these three tests to determine if it is ethical to accept:

The Value Test (The "Nominal" Rule):

(a) Is the value small enough that it clearly won't influence a decision?
(b) *Safe:* A pen, a diary, a modest lunch.
(c) *Unsafe:* A luxury watch, a vacation package, cash. Most companies set a strict limit (e.g., "No gifts over $50").

The Transparency Test (The "Newspaper" Rule):

(a) Would you be comfortable if your acceptance of this gift was reported on the front page of tomorrow's newspaper?
(b) If you feel the need to hide it from your boss or colleagues, it is almost certainly a bribe.

The Timing Test:

(a) Is the gift given *during* a negotiation? If yes, it is likely a bribe intended to sway the outcome.
(b) Is it given *after* the deal is signed and delivered? It is more likely a thank-you gesture (though still requires caution).

3. Cultural Context (Relativism)

(a) **The Dilemma:** Business is global, but gift-giving customs vary.
(b) **High-Context Cultures (e.g., Japan, China, Middle East):** Gift-giving is often an essential ritual of relationship building. Refusing a gift can be seen as a deep insult.
(c) **Low-Context Cultures (e.g., USA, Germany):** "Strict business." Gifts are viewed with suspicion.
(d) **The Ethical Solution:** A manager must respect local culture without violating their own company's code. A common compromise is to accept the gift on behalf of the *company* (e.g., putting a gift bowl in the lobby) rather than keeping it personally.

4. The "Slippery Slope" of Entertainment

(a) **The Trap:** It often starts innocently—a free lunch. Then a dinner. Then tickets to a cricket match. Then a weekend trip.
(b) **Psychological Debt:** Even if no explicit deal is made, the recipient feels a subconscious obligation to "pay back" the giver. This subtle pressure compromises their objectivity as a fiduciary of their company.

In summary, ethical policy on Gifts and Entertainment is moving toward Zero Tolerance. In the modern compliance era, the safest rule is: "When in doubt, decline." A reputation for integrity is worth far more than a free lunch.

Lesson -7: Expectations to and from Employers & Employees

The relationship between an employer and an employee is defined by two contracts. The first is the Legal Contract (the offer letter signed on Day 1). The second, and often more important, is the Psychological Contract. This is the unwritten set of mutual expectations that governs the daily behavior of both parties. For a student, understanding this section is key to understanding "Organizational Behavior"—why people work hard, why they quit, and why they strike. It is a delicate balance of "give and get."

Expectations To and From Employers & Employees

1. **The Psychological Contract**

   Definition: The implicit, unwritten understanding of the mutual obligations between an employee and their employer. It is based on trust and perception rather than law.

   The Dynamic: If the contract is balanced, the organization thrives. If it is violated (e.g., the company fires loyal workers to boost short-term stock), the trust is broken, often leading to "Quiet Quitting" or sabotage.

2. **Expectations of the Employer (What the Company Wants)**

   The employer is paying for a service and expects specific returns:

   (a) **Performance (Competence):** The primary expectation. The employee must actually do the job they were hired for, with reasonable skill and care.

   (b) **Loyalty (Fiduciary Duty):**

   - (i) **Confidentiality:** Protecting trade secrets and client lists.
   - (ii) **Non-Disparagement:** Not badmouthing the company in public or on social media.
   - (iii) **Conflict of Interest:** Acting in the company's best interest, not one's own (e.g., not steering contracts to a spouse).

   (c) **Obedience (Compliance):** Following legitimate orders and adhering to the chain of command. (Note: This does *not* include following illegal or unethical orders).

   (d) **Adaptability:** In the modern era, employers expect employees to learn new skills and adapt to change, rather than saying "that's not in my job description."

3. **Expectations of the Employee (What the Worker Wants)**

   The employee invests their time and energy and expects more than just a paycheck:

   (a) **Fair Compensation (Distributive Justice):** A wage that reflects the market value and the effort put in.

   (b) **Job Security:** While "jobs for life" are rare, employees expect not to be fired arbitrarily. They expect stability.

   (c) **Dignity and Respect:** To be treated as a human being, not a "human resource." This includes freedom from harassment and bullying.

   (d) **Opportunity (Growth):** The chance to learn, get promoted, and improve one's career. If a job is a "dead end," the psychological contract weakens.

   (e) **Due Process:** Fair treatment in disputes.

4. **The "Old Deal" vs. The "New Deal"**

   The Old Deal (Pre-1990s):
   (i) *Exchange:* Loyalty for Security.
   (ii) *Promise:* "If you work hard and don't make waves, we will take care of you until you retire."

   The New Deal (Modern Era):
   (i) *Exchange:* Performance for Employability.
   (ii) *Promise:* "We can't promise you a job for life, but we promise to give you the skills so that if we fire you, you can get a job somewhere else."

   Ethical Friction: Stress arises when one side plays by the Old rules (Employee expecting loyalty) while the other plays by the New rules (Employer cutting staff for efficiency).

In summary, the ethical health of a workplace depends on the Clarity and Fairness of these expectations. When expectations are unmet, the result is "Moral Injury." An ethical manager is one who explicitly communicates what they expect and honestly delivers what they promised, acknowledging that a happy workforce is a productive one.

Lesson-8: Employee Privacy Issues

"Employee Privacy Issues" represents one of the fastest-growing ethical battlegrounds in the modern workplace. With the advent of AI monitoring, keystroke loggers, and GPS tracking, employers now have the technological capability to watch every breath an employee takes. The ethical question is: *Just because they can, does it mean they should?* For a student, this section explores the boundary between the Employer's Property Rights (owning the computer/network) and the Employee's Civil Rights (autonomy and dignity).

Employee Privacy Issues

1. **The Scope of Workplace Privacy**
   (a) **The General Rule:** In most legal jurisdictions, employees have a "diminished expectation of privacy" while on company property or using company equipment
   (b) **The Ethical Boundary:** However, ethics scholars argue that total surveillance creates a "Panopticon" effect—a prison-like atmosphere that destroys trust and induces stress. There must be a boundary where the "Worker" ends and the "Private Citizen" begins.

2. **Electronic Monitoring and Surveillance**

   Types: Reading emails, recording phone calls, CCTV cameras, and tracking internet browsing history.

   The Ethical Test for Monitoring: To be considered ethical, surveillance must pass three tests:

   (a) **Relevance:** Is the monitoring strictly relevant to the job? (e.g., Monitoring a bank teller to prevent theft is relevant; listening to their lunch break conversation is not).
   (b) **Consent/Notice:** Have employees been informed *in advance* that they are being monitored? Secret spying is generally viewed as unethical entrapment.

(c) **Proportionality:** Is the method the least intrusive way to get the data? (e.g., Don't install cameras in the bathroom to stop people from taking long breaks).

3. **Drug Testing**
   (a) **The Conflict:** Employers want to ensure safety and productivity; employees argue that what they do on the weekend is their own business.
   (b) **The Safety Exemption:** Ethics universally supports drug testing for "Safety-Sensitive" jobs (e.g., pilots, surgeons, crane operators). The public safety outweighs individual privacy.
   (c) **The Performance Argument:** For non-safety jobs (e.g., a graphic designer), testing is ethically controversial. If an employee smokes marijuana on Saturday but performs perfectly on Monday, does the employer have a right to fire them? Many ethicists argue Performance should be the metric, not biology.

4. **Psychology and Lifestyle Privacy**
   (a) **Psychological Testing:** Personality tests (like Myers-Briggs) are common, but ethical concerns arise if they are used to discriminate or invade the inner psyche of a worker to manipulate them.
   (b) **Lifestyle Discrimination:** Is it ethical to fire someone because they smoke cigarettes at home (increasing insurance costs) or participate in dangerous hobbies (like skydiving)? This is the debate over "Lifestyle Control."

5. **Data Protection (HR Confidentiality)**
   (a) **The Responsibility:** HR departments hold massive amounts of sensitive data: medical records, social security numbers, and home addresses.
   (b) **The Breach:** It is a severe ethical failure if this data is leaked, hacked, or shared with supervisors who don't need to know (e.g., telling a boss that an employee is undergoing cancer treatment).

In summary, while employers have a right to protect their assets, they must not treat employees as "owned" subjects. Ethical management requires a Privacy Policy that is transparent and respectful. It operates on the principle that trust is a cheaper and more effective control mechanism than a camera.

Lesson-9: Sellers Must Know Their Marketing Missions

"Sellers Must Know Their Marketing Missions" addresses the fundamental philosophy that drives a company's interaction with the market. Ethically, a company cannot simply be a "money-making machine"; it must have a clear mission that defines its purpose in society. For a student, this section explains the evolution of business logic—from the arrogant "we sell what we make" to the humble "we serve society." A seller without a clear ethical mission is like a ship without a compass, likely to crash into the rocks of scandal or consumer backlash.

Sellers Must Know Their Marketing Missions

1. **The Definition of a Marketing Mission**

   Core Question: A marketing mission answers: *Why do we exist?*

   Ethical Function: It acts as a "North Star." When a seller faces a dilemma (e.g., "Should we use cheaper but polluting packaging?"), they look to their mission. If the mission is purely "Maximize Profit," they will pollute. If the mission is "Improve Life Quality," they will not.

Myopia: Professor Theodore Levitt coined "Marketing Myopia," where sellers fail because they focus on the *product* (e.g., drilling oil) rather than the *mission* (e.g., providing energy).

2. **The Evolution of Marketing Philosophies**

   Sellers tend to operate under one of four philosophies, which have increasing levels of ethical maturity:

   (a) **The Production/Product Concept (Self-Centered):**
      (i) *Motto:* "We make a great product; the customer *should* want it."
      (ii) *Ethical Risk:* Arrogance. The seller ignores customer needs and assumes they know best. (e.g., Kodak refusing to go digital because they loved film).

   (b) **The Selling Concept (Push-Centered):**
      (i) *Motto:* "We can sell ice to Eskimos."
      (ii) *Ethical Risk:* High. This focuses on aggressive sales tactics, manipulation, and high pressure to convert inventory into cash, regardless of whether the buyer actually needs the product.

   (c) **The Marketing Concept (Consumer-Centered):**
      (i) *Motto:* "We find out what you want, then we make it."
      (ii) *Ethical Risk:* Moderate. It satisfies the consumer, but the consumer might want something harmful (e.g., junk food, cigarettes). It satisfies desire but ignores well-being.

3. **The Ethical Gold Standard: The Societal Marketing Concept**

   Definition: The most advanced ethical mission. It balances three things:
   (a) **Company Profits.**
   (b) **Consumer Wants.**
   (c) **Society's Interests.**

   The Mission: "We make what you want, *provided* it is good for you and the planet."

   Example: A car company following the *Marketing Concept* builds massive SUVs because people want them. A car company following the *Societal Concept* builds electric cars because the world needs them, even if it requires educating the customer.

4. **Mission Statements as Ethical Contracts**

   Public Promise: When a seller publishes a mission statement (e.g., Google's "Don't Be Evil" - formerly), it creates a public ethical contract.

   Accountability: Consumers and activists use these missions to hold sellers accountable. If a company claims to be "Green" but is caught dumping waste, the hypocrisy damages them more than if they had never made the claim.

In summary, a seller's marketing mission dictates their ethics. A seller who views their mission as "extracting money" will view the buyer as prey. A seller who views their mission as "delivering value" will view the buyer as a partner. In the long run, only the latter survives.

Lesson-10: The Position of the Buyers Compared to the Sellers

In a perfect free market theory, buyers and sellers meet as equals—two rational agents freely exchanging value. In reality, however, the position of the buyer is almost always one of Vulnerability. For a law student, understanding this power imbalance is critical because it forms the legal basis for all Consumer Protection laws (like the *Consumer Rights Protection Act, 2009*). The law steps in because the playing field is inherently tilted in favor of the seller.

The Position of the Buyers Compared to the Sellers

1. **Information Asymmetry (The Knowledge Gap)**

   Definition: This occurs when one party (the seller) has more or better information than the other (the buyer).

   The Reality: The manufacturer knows exactly what materials were used, the defect rates, and the true cost. The buyer only knows what is on the label or in the advertisement.

   The "Lemon" Problem: Nobel laureate George Akerlof described this in the used car market. The seller knows the car is a "lemon" (defective); the buyer cannot tell until they buy it. This gap forces the buyer to rely on *trust*, which puts them in a weaker position.

   Ethical Duty: Because of this gap, the seller has a Duty to Disclose. Hiding defects is not just "shrewd business"; it is an exploitation of the buyer's ignorance.

2. **Resource and Power Imbalance**

   Financial Power: A typical corporation has vast financial resources, legal teams, and lobbyists. An individual consumer usually stands alone. If a product causes harm, the seller can drag out a lawsuit for years; the buyer often cannot afford to fight.

   Marketing Power: Sellers use sophisticated psychology and data analytics to manipulate consumer desires. Buyers often make decisions based on emotion or effective advertising rather than rational analysis.

3. **Contracts of Adhesion (Take It or Leave It)**

   Definition: In modern commerce, buyers rarely negotiate terms. They face "Standard Form Contracts" or "Contracts of Adhesion."

   The Position: When you buy software or sign up for a service, you click "I Agree" to a 50-page document you didn't read. The seller dictates the terms (often stripping the buyer of rights like suing in court); the buyer has zero bargaining power. They must accept the terms or go without the product.

4. **The Shift: Caveat Emptor vs. Caveat Vendor**

   The Old Rule: *Caveat Emptor* ("Let the Buyer Beware"):

   Historically, the law said it was the buyer's job to check the quality. If they bought a bad horse, it was their own fault.

   The New Rule: *Caveat Vendor* ("Let the Seller Beware"):

   Modern ethics and law argue that because products are so complex (e.g., smartphones, pharmaceuticals), a buyer *cannot* possibly check them. Therefore, the burden shifts to the seller to guarantee safety and quality.

5. **Dependence and Necessity**

   The Trap: In many sectors (utilities, medicine, food), the buyer has no choice but to buy. They are Dependent.

   Ethical Implication: When a seller controls a necessity (e.g., insulin), they have enormous leverage. Exploiting this position (e.g., raising the price by 500% overnight) is seen as a profound ethical violation known as Price Gouging.

In summary, the position of the buyer is characterized by structural weakness. They know less, have less money, and have less legal power than the seller. Consequently, business ethics imposes a Duty of Care on the seller—not as a favor, but as a necessary counterweight to prevent the market from becoming predatory.

Lesson-11: The Responsibilities of Business

"The Responsibilities of Business" refers to the specific moral obligations a seller owes to a buyer. In the modern ethical landscape, a business cannot simply claim, "We followed the law." They must adhere to a higher standard of care because they introduce products into society that affect people's health, safety, and finances. For a law student, this section outlines the "Duties" that correspond to the Consumer's "Rights."

The Responsibilities of Business

1. **The Duty to Comply (Contractual Fidelity)**

   Definition: The most basic responsibility. If a business claims a product has Feature X, it *must* have Feature X.

   Implied Warranties: Even if not written down, there is an implicit promise that the product is "fit for purpose." (e.g., A toaster must toast bread; if it explodes, the duty is breached).

   Reliability: The product must function as expected for a reasonable duration. Planned obsolescence (designing a product to break quickly) is a violation of this duty.

2. **The Duty of Disclosure (Right to Information)**
   (i) **The Standard:** A business is responsible for disclosing all facts that would affect a "reasonable person's" decision to buy.
   (ii) **Key Disclosures:**
      a. **Ingredients/Components:** Essential for health (allergies).
      b. **Hidden Costs:** No hidden fees or "drip pricing" where the final price is higher than advertised.
      c. **Risks:** Clearly stating potential side effects (e.g., medicine labels).
   (iii) **Bangladesh Context:** Under the **Consumer Rights Protection Act, 2009**, failing to disclose the true weight, quality, or price is a punishable offense.

3. **The Duty Not to Misrepresent (Truth in Advertising)**

   Definition: It is the duty to refrain from deception. Misrepresentation occurs when a seller creates a false belief in the buyer's mind.

   Active vs. Passive:
   (i) *Active:* Lying (e.g., "This car gets 50 mpg" when it gets 20).
   (ii) *Passive:* Using confusing jargon or tiny print to mislead the buyer without technically lying.

Puffery vs. Fact: Ethics distinguishes between harmless exaggeration ("The world's best coffee") and factual deception ("Clinically proven to cure baldness"). The latter is unethical and illegal.

4. **The Duty Not to Coerce (Respect for Autonomy)**
   (a) **The Principle :** A sale is only ethical if it is voluntary.
   (b) **Violation:** Using high-pressure sales tactics, exploiting fear (e.g., "If you don't buy this alarm, your family will be robbed"), or taking advantage of a buyer's senility or immaturity.
   (c) **Undue Influence:** Businesses typically have a duty not to target vulnerable populations (like children or the elderly) who cannot resist sophisticated marketing.

5. **The Duty of Due Care (Product Safety)**

   The Theory: Because the seller has expertise and the buyer does not, the seller acts as a trustee of the buyer's safety.

   Responsibility: The business must take all reasonable precautions to ensure the product is safe to use. This includes:
   (i) **Design:** Making sure the design itself isn't dangerous (e.g., the Ford Pinto).
   (ii) **Production:** Ensuring no defects occur during manufacturing.
   (iii) **Marketing:** Warning consumers about potential misuse (e.g., "Do not use hair dryer in the bathtub").

In summary, the responsibilities of business have evolved from a "minimalist" approach (just don't break the contract) to a "protectionist" approach (actively ensure the buyer's well-being). Failing these duties not only leads to ethical condemnation but also strict legal liability (tort law).

Lesson -12: Sellers Rights as a Market Power

While modern ethics often focuses on the vulnerability of the buyer, it is crucial to remember that in a free market economy, sellers also possess fundamental rights. These rights are the engines of commerce; without them, there would be no incentive to produce, invent, or trade. "Sellers Rights" refers to the legitimate powers a business exercises to survive and profit. However, for a student of law and ethics, the key takeaway is that every right is limited by a corresponding duty. No market power is absolute.

Sellers Rights as a Market Power

1. **The Right to Set Price (Freedom of Contract)**
   (i) **The Core Right:** A seller has the fundamental right to determine the value of their own property. They can sell a diamond for $1 or $1 million. In a free market, price is an agreement between a willing buyer and a willing seller, not something dictated by the state.
   (ii) **The Ethical Limit (Price Gouging):**
      a. *The Abuse:* Raising prices to exorbitant levels during an emergency (e.g., selling water for $50 during a flood).
      b. *The Restriction:* While sellers have the right to profit, they do not have the right to exploit desperation. Most ethical systems (and laws in Bangladesh) view price gouging on essential goods as an illegitimate use of market power.

(iii) **Predatory Pricing:** Deliberately setting prices below cost to drive competitors out of business is also an abuse of this right (Anti-Trust violation).

2. **The Right to Select Customers (Freedom of Association)**
   (i) **The Core Right:** A business is a private entity, not a public utility. Generally, a seller has the right to choose who they do business with. They can refuse service for legitimate reasons (e.g., "No Shirt, No Shoes, No Service," or refusing a rude/violent customer).
   (ii) **The Ethical Limit (Discrimination):**
      a. *The Restriction:* This right ends where human rights begin. A seller cannot refuse service based on race, religion, gender, or disability. This is the boundary between "selective" business and "discriminatory" practice.

3. **The Right to Introduce New Products (Right to Innovate)**
   (i) **The Core Right:** Sellers have the right to modify their products or introduce new ones, even if it disrupts the market. This is Schumpeter's concept of "Creative Destruction."
   (ii) **Planned Obsolescence:**
      a. *The Grey Area:* Does a seller have the right to design a product that breaks after 3 years so you have to buy a new one?
      b. *Ethical View:* While legally often permissible, ethically this violates the Duty of Stewardship (creating waste) and Fairness (exploiting the buyer).

4. **The Right to Protect Intellectual Property (IP Rights)**
   (a) **The Core Right:** If a seller invests millions in R&D to create a new drug or software, they have a moral and legal right to exclusive profit from that invention for a set period (Patents, Copyrights).
   (b) **The Rationale:** This right incentivizes innovation. Without it, competitors would just steal ideas, and no one would invest in new technology.
   (c) **The Ethical Limit:** This becomes controversial in life-or-death situations. (e.g., Does a pharmaceutical company have the right to keep a vaccine patent secret during a global pandemic, or should they share it for the public good?)

5. **The Right to Promotion (Commercial Free Speech)**
   (a) **The Core Right:** Sellers have the right to advertise their wares. They can use persuasion, emotional appeals, and "puffery" (harmless exaggeration like "The Best Pizza in Town") to win market share.
   (b) **The Ethical Limit:** As discussed previously, this right stops at Deception. You have a right to persuade, but no right to lie.

In summary, Sellers Rights are essential for a dynamic economy. They empower the business to manage its inventory, protect its assets, and negotiate terms. However, these rights are not licenses to exploit. In the ethical framework, a seller's "Power" is legitimate only so long as it respects the "Dignity" and "Safety" of the buyer.

Lesson-13: Consumer Protection Measures

"Consumer Protection Measures" are the legal and institutional "guardrails" established to prevent the abuse of market power. Because the individual buyer is structurally weaker than the corporate seller (as established in the previous section), the State intervenes to level the playing field. For a law student, this is where ethics becomes statute. These measures transform moral duties into legal requirements, ensuring that the marketplace remains fair, safe, and competitive.

Consumer Protection Measures

1. **The Philosophical Shift: From "Buyer Beware" to "Seller Beware"**

   The Old Standard (*Caveat Emptor*): Historically, the risk fell entirely on the buyer. If you bought unsafe food, it was your fault for not checking.

   The Modern Standard (*Caveat Vendor*): Today, the risk falls on the seller. Since products are complex (e.g., you cannot chemically analyze your own medicine), the seller bears the burden of ensuring safety.

   Rationale: The state recognizes that without protection, "Information Asymmetry" leads to exploitation.

2. **The Consumer Bill of Rights (The "Magna Carta" of Buyers)**

   Proposed by President John F. Kennedy in 1962, these four rights form the foundation of global consumer protection laws:

   (i) **The Right to Safety:** Protection against goods that are hazardous to health or life (e.g., banning lead in paint).

   (ii) **The Right to Information:** Protection against fraudulent, deceitful, or grossly misleading information, advertising, labeling, or other practices.

   (iii) **The Right to Choice:** Access to a variety of products and services at competitive prices (anti-monopoly measures).

   (iv) **The Right to be Heard (Redress):** The assurance that consumer interests will receive full and sympathetic consideration in the formulation of government policy and fair treatment in courts.

3. **Legal Framework in Bangladesh**

   To ground this in your specific legal context, the primary instrument is the **Consumer Rights Protection Act, 2009**.

   (i) **Key Offenses Punished:**

      a. Selling products at a higher price than the fixed/displayed price.
      b. Adulteration of food or medicine.
      c. Deceptive advertising (promising benefits that don't exist).
      d. Using false weights and measures.

   (ii) **The Enforcer:** The Directorate of National Consumer Rights Protection (DNCRP). They have the power to conduct raids, impose fines, and even temporarily shut down businesses.

   (iii) **Unique Feature:** The Act incentivizes citizens to report crimes; a portion of the fine collected often goes to the complainant.

4. **Regulatory Measures (Government Control)**

   (a) **Licensing and Standards:** Agencies (like BSTI - Bangladesh Standards and Testing Institution) set strict quality benchmarks. A product cannot enter the market without certification.

   (b) **Product Recalls:** If a defect is found after sale (e.g., faulty airbags), the government can force the company to "Recall" (take back) the product and fix it for free.

(c) **Price Ceilings:** In times of crisis (e.g., Ramadan or floods), the government may set maximum prices for essentials (sugar, oil, onions) to prevent price gouging.

5. **Institutional and Self-Regulatory Measures**
   (a) **Consumer Courts:** Specialized tribunals designed to be faster and cheaper than regular civil courts, allowing average citizens to sue corporations without expensive lawyers.
   b) **Industry Codes:** Ethical companies often form associations to police themselves (Self-Regulation) to avoid heavy-handed government intervention.
   (c) **Warranties and Guarantees:** A voluntary measure where sellers promise to repair or replace goods, acting as a signal of quality to reduce buyer anxiety.

In summary, Consumer Protection Measures are the "immune system" of the market. They attack the "viruses" of fraud and negligence. By enforcing these measures, the state ensures that competition is based on Quality and Efficiency, not on who can cheat the customer the most effectively.

Lesson-14: Marketing Ethics

"Marketing Ethics" is the application of moral standards to marketing decisions, behaviors, and institutions. Marketing is the most visible interface between the company and the public; consequently, it is the area most prone to ethical criticism. For a student, the core challenge here is recognizing that marketers are "Professional Manipulators"—their job is to influence behavior. The ethical line is drawn between Persuasion (acceptable influence) and Manipulation/Deception (unacceptable control).

Marketing Ethics

1. **The Framework: Ethics in the "4 Ps"**

   Marketing ethics is best analyzed by looking at the four pillars of the "Marketing Mix": Product, Price, Place, and Promotion.

2. **Product Ethics (What we sell)**
   (i) **Safety and Liability:** The primary duty is to sell products that do not harm.
      a. *Issue:* **Planned Obsolescence**. Designing a product (like a smartphone or lightbulb) to fail after a specific period to force the consumer to buy a replacement. While profitable, it is ethically criticized as wasteful and exploitative.
   (ii) **Packaging and Environment:**
      a. *Issue:* "Over-packaging" (using massive plastic shells for tiny items) contributes to pollution. Ethical marketing demands sustainable design.
   (iii) **Socially Controversial Products:** The ethics of marketing goods that are legal but harmful (e.g., tobacco, alcohol, gambling, or high-sugar foods). The ethical question is: *Should we sell it just because it's legal?*

3. **Pricing Ethics (How much we charge)**
   (i) **Price Fixing:** An illegal and unethical agreement between competitors to set prices at a certain level, eliminating the free market and forcing consumers to pay more.

(ii) **Predatory Pricing:** Setting prices *below* cost to bankrupt a smaller competitor, intending to raise prices once they are gone. This is a violation of fair competition.

(iii) **Price Discrimination:** Charging different prices to different people for the same good.

a. *Ethical:* Student discounts or senior citizen rates (based on need/ability).

b. *Unethical:* "Redlining" or charging higher prices in poor minority neighborhoods because they lack transportation to shop elsewhere.

(iv) **eceptive Pricing:** "Bait and Switch" tactics—advertising a product at a low price (the Bait) to get customers in the store, then claiming it's sold out to push a more expensive item (the Switch).

4. Place Ethics (Distribution and Access)

(a) **Slotting Allowances:** Large companies paying supermarkets huge fees to reserve the best shelf space (eye-level), effectively blocking small, local, or ethical competitors from reaching the consumer.

(b) **Gray Markets:** Selling goods through unauthorized channels. While it offers cheaper prices, it voids warranties and hurts the brand's integrity.

(c) **Access:** The ethical obligation to ensure essential goods (medicine, healthy food) are available in underserved areas (avoiding "Food Deserts").

5. Promotion Ethics (How we advertise)

(i) **Deception vs. Puffery:**

a. *Puffery:* Subjective claims no reasonable person would take literally (e.g., "The Best Coffee in the World"). *Ethically Acceptable.*

b. *Deception:* Factually false claims (e.g., "This pill cures cancer"). *Unethical and Illegal.*

(ii) **Targeting Vulnerable Groups:**

a. *Children:* Kids cannot distinguish between a show and a commercial. Marketing sugary cereals or violent toys to them is seen as exploiting their innocence.

b. *The Elderly:* targeting seniors with confusing financial products or fear-based security scams.

(iii) **Greenwashing:** The practice of making misleading claims about the environmental benefits of a product (e.g., labeling a bottle "Eco-Friendly" when it is made of non-recyclable plastic).

6. Consumer Sovereignty vs. Paternalism

(a) **The Debate:** Does marketing create "Artificial Needs"?

(b) **Critique:** Critics argue marketing makes people want things they don't need (materialism), creating a cycle of dissatisfaction and debt.

(c) **Defense:** Marketers argue they only *mirror* societal values, they don't create them. Promoting a luxury car satisfies the pre-existing human desire for status.

In conclusion, Marketing Ethics requires a shift from a "Transaction-based" mindset (get the sale at any cost) to a "Relationship-based" mindset (build trust for the long term). An ethical marketer realizes that deception may win the quarter, but integrity wins the decade.

Discussion Questions

1. Should employers be ethically obligated to pay a living wage rather than only the legally required minimum wage? Justify your answer with examples.
2. How can organizations balance workplace efficiency with employee dignity when designing jobs? Discuss with reference to Scientific Management (Taylorism) and Job Enrichment.
3. Is employee monitoring through CCTV, email tracking, and AI surveillance ethically justified? Under what conditions should it be allowed?
4. Differentiate between a gift and a bribe in business. What ethical tests should managers apply before accepting gifts from suppliers or clients?
5. Should employees always remain loyal to their employers, or are there situations where whistleblowing becomes an ethical responsibility? Explain with examples.
6. Compare the principles of *Caveat Emptor* (Buyer Beware) and *Caveat Vendor* (Seller Beware). Which principle better protects consumers in today's marketplace?
7. Discuss the ethical responsibilities of businesses in ensuring product safety, truthful advertising, and transparent pricing.
8. Do companies have the right to maximize profits if doing so negatively affects employee welfare or consumer interests? Why or why not?
9. How does the Consumer Rights Protection Act, 2009 contribute to ethical business practices in Bangladesh? Discuss its strengths and limitations.
10. Evaluate the societal marketing concept. Why is it considered more ethical than the production, selling, and marketing concepts?

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International Business Ethics

7

Unit Highlights

- Rationales of International Business
- Misunderstandings about MNCs
- Intergovernmental Understandings
- Impact of Operations of the Multinationals
- Operations to Ensure Mutuality
- Internet Business

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

International Business Ethics

This final chapter expands the scope to the global stage. "International Business Ethics" deals with the moral complexities that arise when business crosses national borders. It confronts the challenge of "Cultural Relativism" (When in Rome, do as the Romans do) versus "Universalism" (Human rights are the same everywhere). For a law student, this involves navigating a web of soft laws, treaties, and the immense power of Multinational Corporations (MNCs), which often wield more economic influence than the countries they operate in.

Learning Objectives

By the end of this chapter, the learner will be able to:

- Identify the economic and strategic rationales that drive companies to internationalize.
- Critically evaluate common societal misunderstandings regarding the power and intent of MNCs.
- Analyze the role of intergovernmental bodies (UN, OECD, ILO) in regulating global business through "Soft Law."
- Assess the dual impact (developmental vs. exploitative) of MNC operations on host nations.
- Design operational strategies that ensure "Mutuality"—benefits for both the corporation and the local community.
- Examine the unique ethical challenges of the borderless Internet economy, including privacy and jurisdiction.

Lesson-1: Rationales of International Business

To understand the ethics of international business, one must first understand the *economics* that drive it. Why do companies take the massive risk of crossing borders? The "Rationales" are the fundamental reasons that justify globalization. For a student, this section explains that international business is not just about "greed"; it is often based on the pursuit of efficiency and value creation. However, every economic rationale carries a corresponding ethical risk that must be managed.

Rationales of International Business

1. **The Economic Foundation: Comparative Advantage**
   (a) **The Theory:** Proposed by economist **David Ricardo** in 1817. It states that global wealth increases when countries specialize in producing what they are most efficient at and trade for the rest.
   (b) **The Rationale:** It makes no sense for Bangladesh to try to grow wheat (inefficient) or for Canada to try to grow cotton (inefficient). Bangladesh should export garments (labor-intensive), and Germany should export machinery (capital-intensive).
   (c) **Ethical Implication:** Theoretically, this lifts all nations out of poverty by maximizing global utility. However, critics argue it can lock developing nations into low-value industries (the "Prebisch-Singer hypothesis").
2. **Market Seeking (The Search for Growth)**
   (a) **The Rationale:** When a domestic market is "saturated" (everyone who wants a Coke already has one), a company must go abroad to survive and grow.

(b) **Target:** Often moving from developed markets (aging populations) to emerging markets (young, growing populations like India or Nigeria).

(c) **Ethical Risk: Aggressive Marketing.** The temptation to sell products that are not needed or are harmful in the local context (e.g., the historical "Nestlé Infant Formula" scandal, where formula was marketed to mothers without access to clean water).

3. **Resource Seeking (The Search for Materials)**

   (a) **The Rationale:** Some resources are geographically fixed. You have to go where the oil, lithium, or copper is. You cannot drill for oil in London; you must go to Nigeria or Saudi Arabia.

   (b) **The Goal:** Security of supply.

   (c) **Ethical Risk: The "Resource Curse."** MNCs often operate in politically unstable or corrupt nations to get these resources. This leads to ethical dilemmas: Do you pay the warlord to protect your mine? Do you ignore the displacement of indigenous people?

4. **Efficiency Seeking (The Search for Lower Costs)**

   (a) **The Rationale:** This is often called "Labor Arbitrage." Companies move production to countries where labor, land, or energy is cheaper to reduce the final price for the consumer.

   (b) **The Goal:** Cost leadership.

   (c) **Ethical Risk: The "Race to the Bottom."** The pressure to find the *cheapest* location can lead to exploiting workers, ignoring safety standards (like Rana Plaza), and using child labor. The ethical challenge is distinguishing between "cheap labor" (economic reality) and "exploited labor" (human rights violation).

5. **Strategic Asset Seeking (The Search for Knowledge)**

   (a) **The Rationale:** Companies go abroad not just to sell or build, but to *buy*. They acquire foreign competitors to gain access to new technology, brands, or patents.

   (b) **The Goal:** Preventing competitors from becoming too strong.

   (c) **Ethical Risk: Monopolization.** Giant MNCs buying up small, innovative local firms can crush local entrepreneurship and reduce consumer choice.

6. **Follow-the-Client**

   (a) **The Rationale:** Service firms (banks, law firms, ad agencies) often go global simply because their big clients did. If Toyota opens a factory in the US, its Japanese bank opens a branch in the US to serve them.

   (b) **Ethical Context:** This is generally lower risk, as it serves existing B2B relationships.

In summary, the Rationales of International Business are logically sound: they aim to optimize resources, lower prices, and spread technology. However, an ethical business understands that *economic* rationality does not justify *moral* irrationality. Just because it is efficient to dump toxic waste in a country with weak laws (efficiency seeking) does not make it right.

Lesson-2: Misunderstandings about MNCs

Public perception of Multinational Corporations (MNCs) is often polarized. To some, they are "engines of development"; to others, they are "neocolonial predators." For a student of business ethics, it is crucial to move beyond these emotional caricatures and analyze the *Misunderstandings*—the gaps between what the public believes and how international business actually functions.

Misunderstandings about MNCs

1. **Misunderstanding: MNCs are "All-Powerful" and Above the Law**
   - **(i) The Myth:** Because some MNCs have revenues larger than the GDP of small nations, people assume they can ignore local laws with impunity.
   - **(ii) The Reality (The "Obsolescing Bargain"):**
     - (a) Raymond Vernon's theory of the **Obsolescing Bargain** explains that power shifts over time.
     - (b) *Before Investment:* The MNC has the power (it has the capital). It can demand tax breaks.
     - (c) *After Investment:* Once the factory is built or the mine is dug, the MNC cannot easily leave. The Host Government gains power and can increase taxes, enforce new regulations, or even nationalize assets.
     - (d) *Legal Vulnerability:* MNCs are subject to the laws of *both* the host country and their home country (e.g., the US Foreign Corrupt Practices Act applies globally), putting them under *double* scrutiny.

2. **Misunderstanding: MNCs Always Exploit Cheap Labor**
   - **(i) The Myth:** MNCs always seek the lowest wages possible, creating "sweatshops" everywhere they go.
   - **(ii) The Reality (The "Wage Premium"):**
     - (a) Economic data consistently shows that MNCs typically pay **higher wages** and offer better benefits than local domestic firms in developing nations.
     - (b) *Rationale:* They need to attract the most skilled local talent, reduce turnover, and protect their global brand reputation from scandal.
     - (c) *The Ethical Nuance:* The exploitation usually happens in the *Subcontracting Chain* (Tier 2 and Tier 3 suppliers), not in the MNC's own owned-and-operated factories.

3. **Misunderstanding: MNCs Destroy Local Culture (Homogenization)**
   - **(i) The Myth:** MNCs force "Americanization" or "Westernization" on the world, destroying unique local traditions.
   - **(ii) The Reality (Glocalization):**
     - (a) Smart MNCs practice **"Glocalization"**—thinking globally, acting locally. They adapt products to fit local culture because rigid standardization fails.
     - (b) *Examples:* McDonald's does not sell beef in India (cultural respect/market reality). Unilever sells shampoo in tiny sachets in rural Bangladesh (economic reality).

(c) *Reverse Influence:* Emerging markets influence the MNC (e.g., Yoga or K-Pop becoming global industries).

4. **Misunderstanding: MNCs "Drain" Wealth from Host Countries**
   (i) **The Myth:** MNCs extract resources and profits, sending all the money back to their headquarters, leaving the host country poorer.
   (ii) **The Reality (FDI Spillover):**
      (a) While profits are repatriated, the initial **Foreign Direct Investment (FDI)** builds permanent infrastructure (roads, power plants, telecommunications) that remains in the country.
      (b) *Knowledge Transfer:* MNCs train local managers in advanced techniques. When these managers leave to start their own local businesses, that knowledge spreads, boosting the local economy (the "Spillover Effect").

5. **Misunderstanding: MNCs Always Prefer Weak Regulations**
   (i) **The Myth:** MNCs love countries with no environmental or safety laws ("Pollution Havens").
   (ii) **The Reality (The "California Effect"):**
      (a) MNCs often prefer *stable* and *clear* rule-of-law environments over lawless ones. Chaos is bad for business.
      (b) Furthermore, many MNCs export their higher home-country standards to the host country because it is more efficient to have one global standard than 50 different ones. This can actually raise the regulatory bar in the host nation.

In summary, while MNCs are profit-seeking entities that require strict regulation, the view of them as "uncontrollable monsters" is a misunderstanding. Ethically, the challenge is not to ban MNCs, but to harness their capital and technology while using strong government policy to prevent the specific abuses (like tax avoidance or supply chain negligence) that do occur.

Lesson-3: Intergovernmental Understandings

In a globalized world, no single government can fully regulate a Multinational Corporation (MNC) that operates in 100 countries. To fill this "Governance Gap," nations come together to create Intergovernmental Understandings. For a law student, these are critical because they represent "Soft Law"—they are not legally binding treaties (like criminal law), but they set the "Gold Standard" for behavior. If an MNC violates them, they may not go to jail, but they will face "Global Shaming," loss of investors, and exclusion from markets.

Intergovernmental Understandings

1. **The Nature of the Challenge (The Governance Gap)**
   (a) **The Problem:** Corporations are global; laws are national. An MNC can move its pollution to a country with weak laws.
   (b) **The Solution:** Intergovernmental understandings create a "floor" for ethical behavior that applies everywhere, preventing the "Race to the Bottom."

2. **The UN Global Compact (The Moral Compass)**
   (i) **What is it?** Launched in 2000, it is the world's largest corporate sustainability initiative. It is a voluntary call to companies to align strategies with universal principles.
   (ii) **The Ten Principles:** It covers four key areas:
      (a) **Human Rights:** Support and respect the protection of international human rights.
      (b) **Labor:** Uphold freedom of association and eliminate forced/child labor.
      (c) **Environment:** Undertake initiatives to promote greater environmental responsibility.
      (d) **Anti-Corruption:** Work against corruption in all its forms, including extortion and bribery.
   (iii) **Mechanism:** Companies must submit an annual "Communication on Progress" (COP). If they fail to report, they are delisted (publicly shamed).

3. **The OECD Guidelines for Multinational Enterprises (The Rulebook)**
   (i) **What is it?** A set of recommendations addressed by governments (38 OECD nations + others) to MNCs. It is the most comprehensive government-backed instrument in existence.
   (ii) **Key Feature (National Contact Points):** Unlike other voluntary codes, the OECD Guidelines require each member country to have a **National Contact Point (NCP)**.
      (a) *How it works:* If a Bangladeshi trade union feels a French MNC is violating labor rights in Dhaka, they can file a complaint with the French NCP. The NCP acts as a mediator to resolve the dispute. This gives the "soft law" some "hard teeth."

4. **The ILO Tripartite Declaration (The Labor Standard)**
   (a) **What is it?** The International Labor Organization (ILO) is unique because it is "Tripartite"—it includes Governments, Employers, and Workers.
   (b) **Focus:** It sets the global benchmarks for industrial relations, wages, and safety.
   (c) **Core Conventions:** It defines the "Fundamental Rights at Work," such as the absolute ban on slave labor and the right to collective bargaining.

5. **The Caux Round Table Principles (The Moral Capitalism)**
   (a) **What is it?** A network of business leaders from Europe, Japan, and the USA.
   (b) **Philosophy:** It blends Western pragmatism (Rights) with the Japanese concept of **"Kyosei"** (living and working together for the common good). It was one of the first international codes written *by* business *for* business.

In summary, Intergovernmental Understandings serve as the conscience of the global market. While they lack the power of a police force, they possess the power of Consensus. They signal to MNCs that "profit at any cost" is no longer acceptable to the community of nations.

Lesson-4: Impact of Operations of the Multinationals

The "Impact of Operations" is the central ledger of International Business Ethics. It weighs the assets against the liabilities. Do Multinational Corporations (MNCs) act as "Engines of Development," pulling nations out of poverty through capital and technology? Or do they act as "Agents of Dependency," extracting wealth and leaving pollution and social unrest behind? For a student, the answer is rarely black and white; it is a complex calculation of Net Social Benefit.

Impact of Operations of the Multinationals

1. **Economic Impact: Wealth Creation vs. Extraction**
   - **(i) The Positive (FDI & Growth):**
     - **(a) Capital Injection:** MNCs bring Foreign Direct Investment (FDI) which is crucial for capital-starved nations (like Bangladesh). This builds factories, ports, and power grids.
     - **(b) Job Creation:** They employ millions directly and support millions more indirectly (suppliers, transport).
     - **(c) Tax Revenue:** When paid fairly, corporate taxes contribute significantly to the host country's national budget.
   - **(ii) The Negative (Crowding Out & Repatriation):**
     - **(a) Crowding Out:** MNCs with huge financial power can crush small local competitors ("Mom and Pop" stores), leading to a monopoly.
     - **(b) Profit Repatriation:** The ethical critique is that while wages stay, the *profits* are sent back to shareholders in New York or London, rather than being reinvested in the host country.
     - **(c) Dualism:** It creates a "Dual Economy"—a rich, modern sector for MNC employees and a poor, traditional sector for everyone else, increasing inequality.
2. **Technological Impact: Transfer vs. Dependency**
   - **(i) The Positive (Technology Transfer):**
     - (a) MNCs introduce advanced machinery, software, and management techniques (e.g., ISO certification) that local firms eventually copy and learn from. This "Spillover Effect" modernizes the entire industry.
   - **(ii) The Negative (Technological Dependence):**
     - (a) MNCs often keep the "High Value" work (R&D, Design) in their home country and only move the "Low Value" work (Assembly) to the host country.
     - **(b) Dumping:** Sending obsolete or banned technology to developing nations (e.g., selling cars with engines that don't meet modern emission standards).
3. **Social and Cultural Impact: Modernization vs. Erosion**
   - **(i) The Positive (Empowerment):**
     - **(a) Female Employment:** In many traditional societies (including Bangladesh), MNC-driven industries (like RMG) have brought millions of women into the formal workforce, granting them financial independence.

(b) **Meritocracy:** MNCs often introduce hiring based on skills rather than caste, clan, or nepotism, promoting social mobility.

(ii) The Negative (Cultural Imperialism):

(a) **"Coca-Colonization":** The fear that MNCs impose Western values (consumerism, individualism), eroding local traditions and community cohesion.

(b) **Social Unrest:** The disruption of traditional livelihoods (e.g., displacement of farmers for a mine) can lead to protests and violence.

4. **Environmental Impact: Standards vs. Havens**

(i) The Positive (The "Green Halo"):

(a) Global MNCs often use cleaner technology than local firms because they adhere to global standards.

(ii) The Negative (Pollution Havens):

(a) **The Race to the Bottom:** MNCs may deliberately move "dirty" industries (chemicals, ship breaking) to countries with weak environmental laws to save money. This effectively exports pollution to the poor.

5. **Political Impact: Rule of Law vs. Corruption**

(i) **The Positive:** MNCs need stability, so they often lobby for better property rights and the rule of law, which benefits everyone.

(ii) **The Negative:**

(a) **State Capture:** Powerful MNCs can bribe officials or threaten to leave ("Capital Flight") if the government tries to raise the minimum wage or enforce safety laws. This undermines national sovereignty.

In summary, the impact of MNCs is a Trade-off. The host country trades some autonomy and resource access in exchange for capital and jobs. The ethical goal of government policy is to maximize the *Spillover* (learning, infrastructure) while minimizing the *Enclave* effect (where the MNC exists as an isolated island of wealth).

Lesson-5: Operations to Ensure Mutuality

"Operations to Ensure Mutuality" refers to the strategies a Multinational Corporation (MNC) adopts to ensure that its presence benefits not only its shareholders but also the host country. This opposes the "Extractive" model (taking wealth out) and promotes the "Developmental" model (growing wealth together). For a student, this is the practical application of ethics: How do you design a business model where the success of the company and the success of the nation are linked?

Operations to Ensure Mutuality

1. **The Concept of Mutuality (Win-Win)**

Definition: Mutuality exists when the MNC's profitability is directly tied to the development of the host society.

The Shift: From "Doing Business *in* a Country" (exploitative) to "Doing Business *with* a Country" (collaborative).

The Goal: Gaining a "Social License to Operate"—the ongoing approval of the local community, which is just as important as the legal license.

2. **Joint Ventures and Local Partnership**

   Strategy: Instead of a "Wholly Owned Subsidiary" (100% foreign control), the MNC partners with a local company.

   The Benefit:

   (i) *For the Host:* Local entrepreneurs get access to global technology, capital, and management skills.

   (ii) *For the MNC:* They get local market knowledge and political protection (the "Local Face").

   Ethical Outcome: Profits are shared, and control is not entirely foreign.

3. **Local Sourcing (Backward Linkages)**

   (i) Strategy: Instead of importing raw materials or parts from abroad, the MNC buys them from local suppliers.

   (ii) The Benefit (Multiplier Effect):

   (a) If a car manufacturer buys tires and glass locally, it creates a supply chain industry.

   (b) MNCs often have to train these suppliers to meet quality standards, which upgrades the entire local industrial base.

   (iii) Example: A garment brand teaching Bangladeshi textile mills how to produce high-quality fabrics, reducing the need to import from China.

4. **Technology and Knowledge Transfer**

   Strategy: actively training local staff for high-level positions rather than keeping all management roles for "Expats."

   Indigenization of Management: A clear plan to replace foreign managers with local talent over time.

   R&D Localization: Setting up research centers in the host country, not just factories. This treats the host country as a source of *brainpower*, not just *muscle power*.

5. **Fair Taxation and Anti-Corruption**

   Strategy: Paying the fair share of taxes in the country where the value is created, rather than using "Transfer Pricing" to shift profits to tax havens.

   Transparency: Publishing payments made to governments (especially in mining/oil) so citizens know how much revenue their resources are generating. This prevents the "Resource Curse."

6. **Corporate Social Responsibility (CSR) 2.0**

   Old CSR: Writing a check for a charity or building a park (Philanthropy).

   Strategic CSR (Mutuality): Solving social problems through the core business.

   (a) *Example:* A soap company running "Handwashing Education" campaigns. This saves lives (social benefit) and sells more soap (business benefit).

   (b) *Example:* A telecom company building towers in rural areas, bridging the digital divide while acquiring new customers.

In summary, Operations to Ensure Mutuality transform the MNC from an "Invader" into a "Neighbor." By intertwining their supply chains, management, and goals with the local economy, ethical MNCs ensure that they cannot succeed unless the host country succeeds too.

Lesson-6: Internet Business

"Internet Business" represents the final frontier of International Business Ethics. In the physical world, borders are marked by fences and guards; in the digital world, borders are invisible, yet legal jurisdictions remain. The central ethical dilemma is Universality vs. Sovereignty: How does a company operate a single global platform (like Facebook or Google) while respecting the contradictory laws and values of 190 different countries?

Internet Business

1. **The Challenge of Jurisdiction (The Borderless Paradox)**
   - **(a) The Issue:** The internet is global, but laws are national.
   - **(b) The Scenario:** A user in Bangladesh buys a defective laptop from a US seller via a platform hosted in Ireland.
     - (i) *Ethical/Legal Question:* Which consumer protection law applies? If the laptop explodes, where does the user sue?
   - **(c) The Ethical Standard:** Ethical e-commerce businesses clearly state the **"Governing Law"** in their Terms of Service, but they also voluntarily comply with the stricter standards of the consumer's home country to build trust.
2. **Privacy and Data Human Rights**
   - **(i) Data as the "New Oil":** In the digital economy, personal data is the primary asset.
   - **(ii) The Conflict:**
     - **(a) EU Model (GDPR):** Privacy is a fundamental human right. The user owns their data. (Strict consent, Right to be Forgotten).
     - **(b) US Model:** Data is a commodity to be traded. (Opt-out systems).
     - **(c) Authoritarian Model:** Data is a tool for state surveillance.
   - **(iii) The Ethical Challenge:** A global MNC must decide whether to apply the highest standard (GDPR) globally or lower its standards in countries with weak laws.
     - (a) *Best Practice:* Applying the "Golden Shield" approach—treating all global users with the high standard of privacy protection, regardless of local laxity.
3. **Censorship and Freedom of Speech**
   - **(i) The Dilemma:** What is "Free Speech" in one country is "Hate Speech" or "Illegal Content" in another.
     - (a) *Example:* Nazi imagery is legal in the US (First Amendment) but illegal in Germany. Criticism of the monarchy is legal in the UK but illegal in Thailand.
   - **(ii) The "Yahoo! in China" Case:** A classic ethical case study. Yahoo! handed over user emails to the Chinese government, leading to the jailing of a journalist.
     - (a) *Ethical Question:* Should an internet company become an arm of the state police to maintain market access?
     - (b) *GNI Principles:* The **Global Network Initiative** was formed to help companies resist government demands that violate human rights.

4. **The Digital Divide (Inequality)**
   (i) **The Gap:** While we discuss "Global Business," nearly 40% of the world (mostly in the Global South) remains offline.
   (ii) **Ethical Implication:**
      (a) **Access as a Right:** Is internet access a human right? If an MNC forces all its suppliers to use a digital portal, does it exclude poor, small farmers?
      (b) **Net Neutrality:** The principle that ISPs should treat all data equally. Violating this (by favoring rich companies who pay for faster lanes) stifles innovation and hurts small international startups.

5. **Trust and Cybersecurity**
   (a) **The Duty of Care:** Holding customer data (credit cards, addresses) creates a fiduciary duty to protect it.
   (b) **Breach Ethics:** If a global hack occurs, ethical companies disclose it immediately. Unethical companies hide it to protect their stock price, exposing users to identity theft.
   (c) **Algorithmic Bias:** The risk that AI developed in Silicon Valley exports Western biases to the rest of the world (e.g., facial recognition failing on non-white faces).

In summary, Internet Business forces ethics to move at the speed of light. The fundamental lesson is that "Code is Law." The way a global platform is coded—what it hides, what it promotes, and what it protects—acts as the de facto constitution for its billions of users. Ethical coding is now a requirement for international justice.

Discussion Questions

1. Why do companies expand internationally? Discuss the ethical risks associated with market seeking, resource seeking, and efficiency-seeking strategies.
2. Do multinational corporations (MNCs) contribute more to economic development or to exploitation in developing countries? Support your answer with examples.
3. How can multinational corporations balance profit maximization with social responsibility in host countries?
4. Should multinational corporations follow local cultural practices if those practices conflict with universal ethical standards? Discuss with reference to bribery and corruption.
5. Evaluate the effectiveness of the UN Global Compact, OECD Guidelines, and ILO conventions in promoting ethical international business.
6. How can multinational corporations ensure mutual benefits for both shareholders and host communities through responsible business operations?
7. Discuss the ethical challenges of internet-based international business, particularly regarding privacy, cybersecurity, and cross-border jurisdiction.
8. Should multinational corporations apply the same ethical standards worldwide, regardless of differences in local laws and cultures? Why or why not?
9. Analyze the ethical implications of technology transfer and local sourcing by multinational corporations in developing countries.
10. How can governments regulate multinational corporations while maintaining an attractive environment for foreign direct investment (FDI)?

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