Chapter 1
An Overview of Ethics

Self-Assessment Questions

1. morality
2. Ethics
3. Virtues
4. code of principles
5. Morals
6. Corporate social responsibility
7. Supply chain sustainability
8. reputation
9. vision and leadership
10. Law
11. Section 406 of the Sarbanes-Oxley Act of 2002
12. renew investors’ trust in corporate executives and their firms’ financial reports
13. Code of ethics
14. social audit
15. Formal ethics training
16. development of a problem statement
17. common good
18. A problem statement

Discussion Questions

1. There are many ethical issues about which people hold very strong opinions—abortion, gun control, and the death penalty, to name a few. If you were a team member on a project with someone whom you knew held an opinion different from yours on one of these issues, how would it affect your ability to work effectively with this person?

Students’ answers will vary. Students will meet many people in their lifetime who have opinions and values that are different from their own, and it is important that they learn to get along with and be able to work effectively with such individuals.

2. Identify two important life experiences that helped you define your own personal code of ethics.
Students’ answers will vary based on their personal experiences.

3. **Create a list of 5 to 10 guidelines for ensuring a successful brainstorming session to identify potential solutions to a problem.**

Students’ answers will vary. During any brainstorming process, one should try not to be critical of ideas, as any negative criticism will tend to shut down the discussion, and the flow of ideas will dry up; the ideas should be written down as they are suggested.

4. **Do you believe an organization should be able to escape criminal liability for the acts of its employees if it has acted as a responsible corporate citizen, making strong efforts to prevent and detect misconduct in the workplace? Why or why not?**

Students’ answers will vary, but students should consider the following questions in making their decision:
- What was the corporation doing to prevent and detect misconduct in the workplace?
- How egregious were the acts of its employees?
- How did the organization respond once it detected misconduct by the employees?
- Were the employees involved disciplined?

5. **The Ethics Resource Center identified five characteristics of a successful ethics program. Suggest a sixth characteristic, and defend your choice.**

Students’ answers will vary. Possible answers might include the following:
- Employees are treated fairly.
- Company conducts regular social audits.
- Employees are able to report unethical behavior without fear of retaliation.
- Employees regularly participate in ethics training.

6. **Identify three CSR goals that would be appropriate for a large, multinational IT consulting firm. Create three such goals for a small, local IT consulting firm.**

Students’ answers will vary. Some of them may say that IT consulting firms, both large and small, should have the following goals:
- Safe-guarding the environment
- Bringing transparency in its dealings
- Strengthening its ethical standards
- Filing all required reports on time
- Protecting its customers’ privacy
7. It is a common practice for managers to hold people accountable to meet “stretch” goals, quotas, and budgets. How can this be done in a way that does not encourage unethical behavior on the part of employees?

Employees must have a knowledgeable resource with whom they can discuss perceived unethical practices. The organization must have a code of ethics, and the employees must know how and to whom they can report violations safely and without fear of retaliation. Managers can set an example by communicating the code of ethics and using it in their own decision making. Employees should be aware of sanctions for breaching the code of ethics. Employees can be rewarded with bonuses of some sort when meeting “stretch” goals while not violating their code of ethics.

8. Describe a hypothetical situation in which the action you would take is not legal, but it is ethical. Describe a hypothetical situation where the action you would take is legal, but not ethical.

Students’ answers will vary. An example of an action which is not legal but is ethical is stealing food in order to feed a starving person. An example of an action which is legal but is not ethical is when U.S. companies outsource their operations to developing countries (in order to avail the lower labor rates), where employees work in conditions that would not be acceptable in most developed parts of the world.

9. Hypothesis: It is easier to establish an ethical work environment in a nonprofit organization than in a for-profit organization. Provide three facts or opinions that support this hypothesis. Provide three facts or opinions that refute the hypothesis.

Students’ answers will vary based on their beliefs or experiences with different organizations. Students may tend to agree that it is easier given that the board of directors in a nonprofit organization reports directly to the local communities that the nonprofit serves.

10. This chapter discusses four approaches to dealing with moral issues. Which approach is closest to your way of analyzing moral issues? Now that you are aware of different approaches, do you think you might modify your approach to include other perspectives? Explain why or why not.

Students’ responses will vary. Some of them may prefer the utilitarian approach because it chooses the action or policy that has the best overall consequences for all the people who are directly or indirectly affected. Most students will be willing to modify their approach to include other perspectives because applying all the perspectives will allow them to identify the best decision.

11. It can be difficult for a large organization to act ethically consistently across all facets of its
business. Identify a recent example of a usually ethical company acting in an unethical manner.

Students’ answers will vary. Some of them may give the example of the Toyota automobile recalls that happened during the end of 2009 and start of 2010. Toyota began the recalls, following the publication of accounts that many vehicles experienced unintentional acceleration. Although Toyota said that these were errors caused by the drivers of the vehicles, in October 2013, a jury governed against Toyota. Therefore, Toyota has entered into settlement talks with its plaintiffs.

12. Should software piracy within the boundaries of third-world countries be tolerated to allow these countries an opportunity to move more quickly into the information age? Why or why not?

Students’ responses will vary. The Business Software Alliance provides the following study about software piracy worldwide: http://portal.bsa.org/globalpiracy2010/.

13. Without revealing the name of your employer, comment on the efforts of your employer to promote a work environment in which employees are encouraged to act ethically.

Students’ responses will vary. Students may talk about their organization’s corporate social responsibility, values, code of ethics, ethics training, etc.

14. Do you think that ethics training can really be effective in changing the behavior of employees? Why or why not?

Students’ responses will vary. Some of them may say that ethics training not only makes employees more aware of a company’s code of ethics and how to apply it, but also demonstrates that the company intends to operate in an ethical manner. The existence of formal training programs can also reduce a company’s liability in the event of legal action.

However, others may point out the following arguments against business ethics training:

- Ethics is something you feel and cannot be learned.
- Moral character is instilled and developed in early childhood, not in an ethics class.
- Economic and legal incentives should be encouraged, not ethical sentiments.

What Would You Do?

1. Students’ responses will vary. Some of them may say that pressurizing them to resolicit would be an unfair request. Because the contribution goes out from the employee’s own salary, the coworkers might be concerned about giving the donations. Moreover, coworkers may have
already earmarked the amount for some other purpose or may have certain personal financial or budget constraints.

2. Students’ responses will vary. Some of them may say that before taking the call they would like to know how the 3% increase in salary is going to be financed. They may need to find out whether they are expected to take the amount out of their department’s budget or will additional funds be provided. It is also important that the students identify the stakeholders not directly involved and gain some insight about their position on the issue.

3. Students’ responses will vary. They should remember that it is important to treat others as they would like to be treated. Also, it is much more effective to properly motivate a strong but unhappy worker, than it is to fire him or her and hire and train a new employee.

Students should consider that Sophia’s e-mail to the other company was actually a desperate attempt to tell them how unhappy she is. They should take a few moments to reflect on previous discussions with her to recognize any other attempts that were missed at the time.

Students should schedule a private meeting with Sophia and tell her that they found the e-mail from the recruiter during their monthly review. Since there are no performance issues, they should let her know that she is an important member of the customer service team and that it is in the company’s best interest to retain her as an employee. As her manager, they want to better understand her work-related issues and help her develop some solutions. They should express a genuine interest in her as an individual. They should try to find out if Sophia is considering staying with them or has she made up her mind to leave.

If she wants to stay, students should get involved in problem identification and solving. They should coach, train, provide feedback, and do what it takes to help her turn the situation around.

If she is determined to leave, students should thank her for her candor, express their regrets, and ask her to stay on until a replacement can be brought on board.

The data that Sophia has provided as feedback should be used in improving the management and work environment, which will help avoid making the same mistakes in the future.

4. Students’ responses will vary. At the very least, students’ performance review should be accurate. If their friend is not a dependable worker, sooner or later others will notice. They should note that in the long run, their review may say a lot more about them than their friend.

5. Students’ responses will vary. Students might have talked too much about work activities while assuming it was safe to do so. This may have raised potential issues in the areas of failure to comply with company procedures, contract quality assurance, and potential conflict of interest.
If all that the students discussed was information that each bidder on the contract will receive anyways, they should consider themselves lucky and learn from this experience. (Usually the total value of the contract as well as the basic criteria used to select the winning bidder is either provided to all competing firms or it is already known).

Students should call the consultant and confirm that they did not reveal anything that would provide a competitive advantage. They should also express their feelings that the individual should have revealed his or her role as a consultant before they discussed the contract. While they are at it, they should ask the consultant which companies he or she represents.

If students provided information that was not to be given to the bidders, then they have created a situation where one or more companies have an unfair advantage. They will need to have a discussion with their manager and very likely the other members of the selection committee. This could have a serious impact on their career. Students should be prepared with some recommendations of what to do. Is it possible that the information they let slip can be shared with all the bidders? Can the companies associated with the consultant be disqualified from the bidding process?

6. Students’ responses will vary. It is wrong to lie on their resume, regardless of how difficult it is for students to get a job. If they lack job experience, they should talk to potential employers and ask if they can apply for an internship position, which would beef up their resume. Also, they should work on tailoring their cover letters to the specific position they are applying for. They should talk to their brother-in-law and see if they can do some part-time work for him while looking for a full time position. Any job experience that they can obtain, even if it is unpaid, will look good on their resume.

7. Students’ responses will vary. Padding the expense report would be considered unethical and fraudulent. Students should also be aware that companies are becoming more adept at spotting these inaccuracies, so it would be in their best interest to reconsider this approach.

Cases

Case 1: IBM–A Front-Runner in Sustainability

1. In an effort to take the lead in corporate responsibility, IBM established one of the first environmental programs of its kind in 1971. IBM must have realized that its component manufacturing process was producing large amounts of benzene-based materials that are carcinogenic. They may have anticipated that they would be harming the environment through this. And further, they may have understood that they may lose their customers to a more environment conscious competitor. All this, may have justified IBM to start its sustainability programs. Thus, the company implemented a three-pronged program that attempted to track
waste from creation to disposal, to reduce IBM’s reliance on toxic chemicals, and to reduce the amount of toxic waste released during the manufacturing process.

2. IBM worked to reduce its use of ozone-depleting chemicals, such as chlorofluorocarbons, and in 1989, IBM led the IT world in its reduction of such chemicals. Its programs now seek to reduce energy use, conserve water resources, create energy efficient products, spearhead safety in the use of nanotechnology, and combat climate change. IBM has also focused on the use of environmentally preferable substances and materials, and it continues to work to reduce or eliminate its reliance on heavy metals and carcinogens. IBM works with the International Organization for Standardization (ISO) to create international standards for toxic and nontoxic waste reduction, water purification, efficient energy utilization, and waste emissions. In many cases, IBM helped ISO to develop a specific standard and then became the first company to demonstrate compliance with that standard. In 2011, IBM became the first corporation to meet ISO standards on energy management systems. IBM has also set up a steering committee and working group to draft goals and implement CSR strategies.

3. The practice of meeting sustainability standards helps IBM maintain market share because the European Union, the United States, and other countries often give preference in awarding contracts to companies that have ISO certification. Leveraging ISO certification helps IBM in its efforts to maintain market share and increase its revenue. In fact, the company has found that corporate responsibility has given it a better bottom line.

Case 2: Ethical and Business Setbacks for Nokia

1. Students’ responses will vary. Some of them may find the act of moving Nokia’s facilities (from Germany to Romania and from Romania to Asia) as unethical behavior. They may say that in most of the developing countries, employees work in conditions that would not be acceptable in most developed parts of the world. However, other students may find the act ethical as in today’s difficult and uncertain economic climate, organizations are extremely challenged to maintain revenue and profits.

2. Students’ responses will vary. Customers in Europe might have thought of the number of jobs their fellow citizens will lose. Customers in Iran may not have liked the fact that Nokia was intercepting their Internet communication. Customers may not always respond to unethical decisions in this way, but to a certain extent, they let the company which was responsible for the unethical decisions know about their displeasure (through social networking sites, blogs, etc.).

3. Students’ responses will vary. Some of the students may be of the opinion that it is somewhat difficult to ensure ethical decisions making in a business that is organized as a “network of equals.” This impacts accountability because the number of people involved is so high, that it is difficult to point out the one person who made the mistake. To a certain extent, this does explain why Nokia kept the investigation a secret.
Case 3: Is there a Place for Ethics in IT?

1. Students’ responses will vary; however, each scenario should include the following:

   **Virtue Ethics Approach:** Following moral standards, the employees should be informed of the possibility of layoffs, allowing them the chance to research other job options. Employees should also be offered a source of motivation to finish the CRM System and a desire to stay with the company.
   Second scenario: Informing the boss would be the most moral action.

   **Fairness Approach:** In being fair to all employees, the company should inform them of the possible layoffs, offering the same incentives and job placement services to each showing no favoritism.
   Second scenario: Inform the boss of the information regarding the project so both the boss and employee can work together in conquering the problems to complete the project. Students should mention fairness, favoritism, and/or discrimination in their response.

   **Utilitarian Approach:** The course of action with the greatest benefit to both the employees and the company would be to inform the employees of the plan to outsource and the possibility of layoffs. The company should offer various incentives in order to keep the employees motivated to complete the CRM System by the deadline.
   Second scenario: By telling the boss the information, the employee will be benefited by sharing the responsibility with his boss. Students should mention the action that produces the greatest benefits.

   **Common Good Approach:** Inform the employees of the plan to outsource and the possibility of layoffs. In addition, better the community by offering job placement services to those departing employees.
   Second scenario: Tell the boss the important information but be prepared to offer suggestions and/or action plans for moving forward in completing the project. Students should mention the community and/or society in their response.

2. Students’ responses will vary. In implementing ethical solutions, such as informing the employees of the possibility of layoffs, the short term losses could include:
   - A lack of motivation for the employees to continue their diligent work
   - Rumors created based on the information regarding lay offs
   - Creating an unproductive working atmosphere
   - Employees leaving the company in pursuit of a more secure job
   - New applicants will be hesitant to join the company
The long-term gains could include:
- Upholding the integrity of the company by being honest with its employees
- By offering incentives to the remaining employees, the employees will feel motivated to continue their work

Second scenario: By informing the boss of the important information, the short term loss could include: the boss interfering with the production of the project. The long-term gains include: the boss knows the employee is honest; the boss may allow the employee to participate in future important projects because of his or her loyalty to him.

3. Students’ responses may vary. However, most of them will say that there should be a balance of good ethics and financial benefits within a business. While it is a financial benefit to outsource employees, the company should uphold its ethical standards and inform the current employees of the possibility of being laid off. By offering incentives to those who stay with the company, the employees will appreciate the company’s loyalty while working hard to ensure the success of the company.

4. Students’ responses may vary. In all probability, Schrage was pointing out that the number one priority of CIOs should be the product, which should be implemented accurately. In the CIOs world, ethics is not an issue.