

Business Ethics

A contemporary approach

Business Ethics: A contemporary approach introduces students to ethical issues and decision-making in a variety of contemporary contexts. It develops an awareness of the many ways in which ethical considerations can manifest in commercial domains, thereby helping prepare students for their professional careers.

Business Ethics shows how theory works in practice. It includes hundreds of real-world examples that will help engage students. Examples draw on recent and emerging concerns, such as the moral implications of social media and the enforcement of codes of behaviour within industries. The book also addresses corporate social responsibility, stakeholder management and sustainability, reflecting the broad scope of business ethics today.

Comprehensive online resources are available at www.cambridge.edu.au/academic/business-ethics. Student resources include additional review questions and case studies, with answer guides, to help students reinforce learning and prepare for assessment tasks. Instructor resources include an extensive set of tutorial exercises, PowerPoint slides and a test bank of assessment resources.

Business Ethics will equip students with the individual and organisational strategies to analyse and improve the ethical climate in workplaces, professions and commercial life in general.

Gael McDonald is President, RMIT University, Vietnam.

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To my husband Collin and children James and Tess –
my world is so much better because of you.

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Preface

After the popularity of the movie *The Bucket List*, starring Jack Nicholson and Morgan Freeman, a lot of people, shall we say in the ‘older age bracket’, started making up bucket lists. Activities, usually involving travel to exotic locations, featured prominently on these lists. I also made up a bucket list but, intriguingly, on mine was that I’d always wanted to write a textbook on business ethics, which has been my preferred research area for more than 25 years. So, when Cambridge University Press approached me, I was rather reluctant to turn the task down as I knew that if I didn’t do it then it would probably haunt me in the future.

When initially conceptualising the project, I was cognisant of and guided by various models of moral behaviour, with the intention of delivering on four key dimensions that I wanted the text to develop:

- **Moral sensitivity** – the ability to recognise that a moral dilemma exists, to interpret the circumstance and assign recognition of what ethical issues are contained in the situation.
- **Moral motivation** – the ability to prioritise moral values in relation to other personal values.
- **Moral judgement** – the ability to make a morally justifiable decision and judge whether an action is morally right or wrong.
- **Moral action** – the ability to provide, in the face of situational pressure, an ethical outcome.

More specifically, I wanted to:

- examine the current factors which are driving an increased awareness of business ethics in today’s business environment
- provide some clarity to the lexicon of business ethics and related terminology
- engage with current issues in the business environment and society at large, as presented in the media
- investigate ethics in a variety of functional areas of business including information technology, human resource management, marketing, accounting, entrepreneurship and international business
- present ethical principles which are of relevance in these key functional areas
- review the theoretical foundations of ethics
- provide guidelines to assist with ethical decision-making
- discuss the strategies that can be used to strengthen the ethical climates of organisations.

Given the extensive theoretical foundations and ever-changing landscape of current ethical issues evident in the business environment, the difficulty of writing a textbook on business ethics is not what one puts in but, rather, what one leaves out. A strict word limit for each chapter meant that we created an approach that puts as much content as possible in the chapter itself, and subsequently refers the reader to the book website for material that is usually

found at the end of book chapters. The website is, therefore, a significant complementary resource, and contains a range of materials:

- Student and tutor resources, including answers to exercises from the book, and assessment items
- Ethics on video: Relevant multimedia material
- Ethics in print: A list of current texts relating to the topics discussed
- Ethics at the movies: Films with related themes
- Ethics on the web: Website and web material of interest.

A book of this nature has two audiences – students and their lecturers. Wherever possible, I have resisted the temptation to write as if I were speaking to tutors (those with prior knowledge of ethics) or even reviewers (who are experts in the field). Instead, the book has been written intentionally for those with little or no prior exposure to ethics. While it would be ideal if the book was read sequentially, the chapters have deliberately been written with the possibility that a student may prefer to dip in and out of chapters in random order.

The text itself is, essentially, divided into four parts. Part 1 (Chapters 1 and 2) contains introductory chapters which walk the reader into business ethics and related terminology, as well as discussing the drivers promoting an increased awareness of ethics. Part 2 (Chapters 3 to 9) goes into specific functional areas and looks at the issues that are currently being experienced, for example, in the areas of IT, human resource management, marketing management, accounting and finance, entrepreneurship and small business, and international business. Part 3 (Chapters 10 and 11) deviates from the norm in that ethical theory is presented *after* an awareness of ethical issues has been addressed, rather than as a preliminary chapter as is usual in a text of this kind. Naturally, the theory is used as a lens to be applied in the decision-making process, and once students have covered this material it is hoped they will start tackling some of the larger cases in relation to each chapter, and build up their expertise in ethical analysis. Part 4 contains just one chapter (Chapter 12) and takes the reader from the perspective of developing their own personal ethical decision-making to the responsibilities of building an ethical culture in one's own business context; here, we discuss strategies as to how one might enhance the ethical climate from an organisational perspective.

For tutors, the text is to be used in conjunction with lectures, and I anticipate that chapters will be assigned as they occur within the course format, so tutors should feel free to take the chapters out of sequence to suit their course plan. The website also has tutor resources, which contains:

- tutorial experiential exercises, cases, online discussion and additional teaching materials
- PowerPoints for each chapter
- assessment questions for each chapter, a written assignment and overarching cases, which act as a buffet from which tutors can choose a range of assessment options.

The philosophy of the book is reflected in the title – we take a contemporary approach to business ethics. While we do mention some of the better recognised historical ethical cases, our focus is on current examples and recent developments. The downside of this currency is

that this content may date over time, so it is hoped that in future editions the text will contain examples from a number of contributors, through crowdsourcing or something similar, of recent ethical and unethical business activity from around the world. We hope that tutors will also be able to share their teaching cases, exercises and favourite web references.

In research, we are always trained to entertain and articulate the limitations of a study. For this text, I have received considerable input from reviewers, which I particularly appreciate, and that feedback has resulted in constructive changes. I am also rather prone to extensive rewriting, while realising that, if we constantly twiddled, the text would never be published. However, there is one piece of reviewer feedback we would like to address here; a niggling concern raised by a reviewer who stated that there was ‘an absence of enough material on how managers can enact their moral values in organisational contexts. It is good to talk about issues and provide detailed decision models, but ethics is about enactment. Students need to be given opportunities to learn how to convince others as to what should or shouldn’t be done. That is, skills in arguing for particular courses of action’.

I have to say, I agree entirely with this statement. This type of enactment is, however, easier to achieve in experiential exercises but a tad harder to do in a written text – hence the section on moral courage in Chapter 11. I have also referenced, with her permission, Mary Gentile’s book, *Giving voice to values: How to speak your mind when you know what’s right*, and I encourage further exploration of her work. I do, however, implore readers and tutors to consider seriously not just the content of the issues provided in this book but also what it means to be in the thick of the many ethical dilemmas discussed in the text, as well as the considerable pressures a person can come under, and how they might demonstrate integrity in the face of such pressures. This involves both voicing concerns and enacting one’s values – skills that we need to be constantly developing.

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Acknowledgements

The saying goes that ‘it takes a village to raise a child’ – well, it takes a small troupe to produce a book. Previously, when I have written a book, it was a relatively simple process, but in today’s digital world there is as much need for web-based material as there is for chapter content. To accommodate the increased workload I was superbly assisted by a number of fabulous people, whom I would like to sincerely acknowledge and to thank for the tremendous support and significant contribution they provided to me.

Dr Jade McKay, who filled the research holes where needed and so capably stewarded the project to completion. Kim Findlay, who, among many other tasks managed the permissions, embellished the PowerPoints and text with wonderful graphics and lent her talent as a case writer. Teo Yiong, who assisted with assessment items, reviewing the learning objectives and provided the mind maps.

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In closing, my heartfelt gratitude goes to my supportive family, and particularly to my husband Collin and our twins, Tess and James, who sacrificed a significant amount of family time over many months to enable me to complete this book.

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Acronyms

AAA	American Accounting Association
ACCA	Association of Chartered Certified Accountants
ACCC	Australian Competition and Consumer Commission
ACIG	Australian Content Industries Group
AHRI	Australian Human Resource Institute
AI	Amnesty International
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
ATTAC	Association for the Taxation of Financial Transactions for the Aid of Citizens
AUSTRAC	Australian Transactions Reports and Analysis Centre
BITC	Business in the Community
BOP	Base of the Pyramid
BSR	Business for Social Responsibility
CDM	Clean Development Mechanism
CERC	Certified Emission Reduction Credit
CERES	Coalition for Environmentally Responsible Economies
CERT	Computer Emergency Response Team
COPPA	Children's Online Privacy Protection Act (US)
CPA	Certified Practising Accountants
DDOS	Distributed Denial of Service Attack
DOS	Denial of Service
DOJ	Department of Justice (US)
EBNSC	European Business Network for Social Cohesion
EEOC	Equal Employment Opportunity Commission (US)
EFTA	European Fair Trade Association
EPA	Environmental Protection Agency (US)
FBI	Federal Bureau of Investigation (US)
FCPA	Foreign Corrupt Practices Act (US)
FERC	Federal Energy Regulatory Commission (US)
FOFA	Future of Financial Advice (Aus.)
FLA	Fair Labor Association
FLO	Fairtrade Labelling Organisations International
GEM	Global Entrepreneurship Monitor
GRI	Global Reporting Initiative
HRW	Human Rights Watch
HSBC	Hong Kong Shanghai Banking Corporation
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board

IBLF	International Business Leaders Forum
ICAA	Institute of Chartered Accountants Australia
ICAC	Independent Commission Against Corruption
ICANN	Internet Corporation for Assigned Names and Numbers
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFAT	International Federation for Alternative Trade
ILM	Institute of Leadership and Management
ILO	International Labour Organisation
IMF	International Monetary Fund
IOE	International Organisation of Employers
ION	InterOrganizationNetwork
IPA	Institute of Public Accountants (Aus.)
IPSASB	International Public Sector Accounting Standards Board
ISO	International Organization for Standardization
ITC	Independent Television Commission (UK)
ITSA	Insolvency Trustee Service Australia
IUCN	World Conservation Union
LEAD	Leadership, Employment and Direction
LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex
LIBOR	London Inter-Bank Offered Rate (UK)
MES	Multi-dimensional Ethics Scale
MLM	Multi-level Marketing
NBES	National Business Ethics Survey
NC3Rs	National Centre for the Replacement, Reduction and Refinement of Animals in Research (UK)
NOHSC	National Occupational Health and Safety Commission (Aus.)
NSA	National Security Agency
OECD	Organisation for Economic Co-Operation and Development
PEIR	Personal Environmental Impact Report (US)
PIPA	Protect Intellectual Property Act
PwC	PricewaterhouseCoopers
RIAA	Recording Industry Association of America
RSPCA	Royal Society for the Prevention of Cruelty to Animals (UK)
SAI	Social Accountability International
SEC	Securities and Exchange Commission (US)
SFO	Serious Fraud Office
SOPA	Stop Online Piracy Act
SRI	Socially Responsible Investing
TBL/3BL	Triple Bottom Line
TPB	Tax Practitioners Board

UNCTC	United Nations Centre for Transnational Corporations
UNGC	United Nations Global Compact
USAID	US Agency for International Development
VGT	Virtual Global Taskforce
WBCSD	World Business Council on Sustainable Development
WFTO	World Fair Trade Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WRI	World Resources Institute
WTO	World Trade Organization
WWF	World Wide Fund for Nature