

Summary and Reflection Collection:

In response to *Business Ethics: Ethical Decision Making and Cases*

by Ferrell, Fraedrich, and Ferrell (11th edition)

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Chapter 1: The Importance of Business Ethics

Summary: Business Ethics is a very crucial part of the business industry, without it, businesses would be able to do as they please without the worry of any legal unpleasantness. Without rules and regulations, business's only source of if what they are doing is either right or wrong comes from the media and community with either positive or negative feedback.

Reflection: In the business industry, ethical decisions are made every day and affect everyone involved, namely the customer. When businesses are making decisions they have to take into account their reputation and what their consumers will think about what they decide to do. In the recent case of Nestle being allowed to take more water from Michigan's Great Lakes, they obviously made an unethical decision. Not only environmentally, but socially speaking as well. I would hope the ethics board that discussed the issue touched on how the consumer of Nestle products feel about what they had planned, especially the people who live in Michigan that feel a sense of entitlement to the lakes. In this case, the amount of customer satisfaction is dismal.

Values that we learn in our homes, churches, and school are generally based on decisions that are either obviously wrong or right. Parents often use the expression "because I said so", this is something that organizations and companies cannot use as an excuse for not having an actual answer. In making ethical business decisions, there may be more than two options, there may be a myriad of options, all with varying degrees of pros and cons. Businesses are burdened with having to make the most ethical and utilitarian resolutions.

Values and judgments, while are typically similar, do vary from community to community and even person to person. Businesses have to take religious and otherwise alike philosophies into consideration when determining blanket codes of conduct. All of these morals play a critical role in decision-making because in living as a social creature, societies are obligated to live within the same realm of values. Some values are so obligatory, they become laws—requiring everyone to follow a blanket moral code.

Chapter 2: Stakeholder Relationships, Social Responsibility, and Corporate Governance

Summary: Although, the media seldom includes what the goings-on inside of a company would be. This is why businesses are coerced into sharing their data with the public, and slightly more to their primary stakeholders. To assure all stakeholders that ethics are enforced throughout.

Reflection: Corporate governance entails a company's system of accountability, oversight, and control over ethical and legal decision-making. Issues in corporate governance involve largely the top parts of a company, such as shareholders, management, and boards. Companies have to

make sure they identify which shareholders are more prioritized, shareholders rights include what happens once the company is liquidated and how dividends are split. For instance, in a liquidation, while the first to receive payment would be outstanding accounts payable, the second would be the top shareholder and/or investor. Risk management includes reassuring the shareholders, customers, employees, and community that the company is compliant with corporate governance requirements. For example, modern-day companies have to “keep up with the times”, in that they have to follow other companies’ lead in lowering their carbon-footstep. The risk in this situation is receiving negative feedback from consumers regarding being environmentally accountable. Another issue in corporate governance is board engagement and communication, companies are required to release their IRA audits, not only to the public, but more in-depth audits are given to shareholders to inform them on the goings-on of the company.

The difference between primary and secondary stakeholders is measured by the involvement in the day-to-day process of the company. Primary stakeholders include customers, employees, shareholders, suppliers, government regulatory agencies, and the community. Primary stakeholders are essential for a company and its growth, whereas secondary stakeholders are less imperative and less involved with the company itself. Secondary stakeholders include the media, competitors, trade associations, and special interest groups. These classes are less pertinent because companies could theoretically survive without them. However, the use of media and special interest groups can provide promotions to the company’s business.

Chapter 3: Emerging Business Ethics Issues

Summary: Capitalism is founded on corporate intelligence. That is, it has become a social norm to take other companies’ items and replace them at a cheaper price. Through corporate intelligence, employees are asked to pick and pry through other companies, be it by posing as a customer or by scrolling through their online social networks.

Reflection: A hostile work environment can be created once an individual, group, or company complies to an unethical practice. These situations are a “bad thing” due to them affecting the reputation, and thusly the equity, of a company— even in the darkest of circumstances, the company ought to meet legal codes and regulations in order to not be found corrupt. An example of creating a hostile work environment would be a hiring practice of mostly young people. This is unethical in two ways: if the company outright ignored applicants above a certain age, that is wrong, but also, the older employees that already work at the company, if they are slowly being pushed out with a younger generation, the company could have an ageism suit against them.

Corporate intelligence is important for a business's success. In order to stay ahead of "the game" of business, companies are forced to cheat off of other companies. This is called capitalism. Using information found within the staff, online, with research, or asking as a client, are all ways to stay current as a business— to feed the needs of clients and the clients of competitors. Corporate intelligence becomes unethical once the company is merely a cheaper copy of another one. For instance, I am a freelance writer and the other day I saw a job posted for a cookbook. The assignment was to take a list of recipes and rewrite them to be at least 90% unique, due to plagiarism and stealing being illegal. I, myself, found this to be unethical in the sense that it is still stealing.

Chapter 4: The Institutionalization of Business Ethics

Summary: Businesses' values are based on laws and regulations created by the government, mandatory boundaries. On top of that, companies adhere to strict rules that they apply to themselves, voluntary balances. Some inspired by religion, some by everyday morals and values. What values the business most closely follow, is called their core practice, those that ensure that laws are directly being followed.

Reflection: Businesses that are aiding in reestablishing areas hurt by hurricane Harvey are businesses such as, Walmart, Dell, Dow Chemical Co., Walgreens. Businesses with already a lot of funding and profit. Some people, such as libertarians, would argue that doing this is the businesses' responsibility; with so much funding from customers alone, the customers should have a say in what the company does with the money. A more conservative argument would be that the companies are attempting to publicize their ethical values and humanity. Other, smaller, businesses such as glassybaby and GoFundMe, are giving their money in what seems to be more benevolent. Small companies are less directed by the public to reach out, as smaller companies generally do not have spare cash or large profits. That is why when small companies do give back to aid communities, it seems like a more meaningful contribution, even though it would be only a fraction of what large businesses are giving out.

If the opinion of the public never changed, there would be no evolution in any line of industry. Every new law, rule, or regulation since before Upton Sinclair's *The Jungle*, has been a forward motion of progress within our society. Take for instance, the Equal Pay Act of 1963— in the public's eye, an employee's pay should not be discriminated on whether they are male or female, (p. 105). However, this act was amended, rephrased to "sex-based discrimination in the rate of pay to men and women doing the same or similar jobs," (p. 105). This specification of the act implies that businesses were bending the words of the original, in that, the government had to step in and enforce more closely that men and women are paid alike, as they are doing alike.

Chapter 5: Ethical Decision Making

Summary: Ethical decision-making involves a multitude of factors and variables. Starting with the intensity of the factors, organizations have to be willing to approach issues with their core values at the forefront of their minds. On top of core values, they have to take into consideration the community and their values and culture, ethical culture, and the corporation's previous culture.

Reflection: Concepts such as ethical issue intensity, individual factors, organizational factors, and opportunity influence an organization's decisions in dealing with ethical issues. These concepts are important to businesses to aid in appeasing their stakeholders. Individual factors such as age, gender, education, are generally the logistics of the community itself, handling ethical issues with the customer stakeholders in mind is very important if they are aiming to appear as an ethical company.

Institutions, such as political, economic, and social institutions, are concepts that are very important, especially when establishing the core values of an organization. Political, or governmental, normative have to be abided by organizations or else they will face disciplinary actions. The institution of economics suggests business runs as a game. A different game for different locations, but the sense of competition is one of the main principles of business. If a company does not compete with their rivals, they may not succeed, as well or if at all. Social institutions such as education, religion, and family, are the first institutions individuals face in their life, meaning they are where people learn their morals and values. Companies have to mirror these values to maintain the interest of their consumers.

Chapter 6: Individual Factors: Moral Philosophies and Values

Summary: In business, companies will act according to the cost-benefit analysis make on ethical issues. Just as in the "real world", people act on whether their decision will affect other people and themselves. Businesses cannot solely act for themselves because they have to appease their customers, aka their image to their customers. But they still maximize their own benefit.

Reflection: Kohlberg's model of CMD suggests that individuals can be ranked on an ethical awareness/behavior scale and can be identified within six different stages. According to this model, a person may be in a stage of moral development where they may only act for

themselves, so their aim is directed towards others. And in suit of the stage, the person is in, they will recognize and behave accordingly.

Rule Utilitarianism is based on society following rules and laws that are required, as a blanket answer of ethicalness. Whereas in Rule Deontology, an individual will reflect on their own values or their religions' set of moral rules when assessing a moral situation, before referring to the law itself. Act Utilitarianism bases actions on levels of utility that exceed the realms of the law, with rules/laws as guidelines. Act Deontology, similar to Rule Deo., is focused on ethics more than utility, like in Utilitarianism, which means people should act rightly even if the cause is not necessarily making a largely negative effect. Everyday people, not philosophers, rely on social values and religious rules, as well as legal rules, to base their moral decision on. Whether or not it is recognized, most people make decisions using one of more of these four philosophies. Basing decisions on levels of rules, internal and external, and acting on the rules the choose either to be the most right or the greatest outcome.

When individuals assess their own moral development, I believe most people would say they are utilitarian and do the right thing in ethical situations. When in reality, I would consider, most people's decision-making in with the long-term Enlightened Egoistic perspective. One of the first things I learned in my public speaking course is WIIFM (What's in it for me?). This is what the audience is thinking, and this is what most individuals think regarding any life decision. Utilitarians, nearly mathematical, aim towards decision-making is for the greatest amount of utility for the greatest amount people. All the while the Enlightened Egoistic in everyone is putting themselves on top of the "greatest amount" list.

Chapter 7: Organizational Factors: The Role of Ethical Culture and Relationships

Summary: Along with external ethical awareness, internal ethics is just as crucial. Aspects regarding internal ethics can be seen in the type of culture and the type of exerted power. One could potentially judge a business's ethical norm by looking at how they treat their employees versus how they gain their profits.

Reflection: Organizational cultures depend on two variables. Whether companies focus on people, performance, both, or neither. The four cultures are named the apathetic, caring, exacting, and integrative cultures. A company with an apathetic culture focuses on neither people nor performance and more so on the company's profits and self-interest. The organization Countrywide Financial, an example of an apathetic culture, has been prosecuted for unethical behavior. In that, they were proven to be handing out outrageously high loans to people who could not pay them back. A caring culture in business focuses on people, rather than

performance, and embraces community outreach. The Salvation Army has a caring culture, the business itself was founded on helping people. The company uses very community-positive practices, such as volunteer/charity work, food drives, giving out Christmas presents, as well as hiring individuals who are less likely to be hired elsewhere. Exacting cultures in businesses centralize on performance, production, profit. According to the textbook, the United Parcel System (UPS) knows exactly how many employees it takes to deliver each day, (p. 189). With a cost-benefit analysis, there would be no logical reason for UPS to have any more employees than what they have. Lastly, an integrative business culture involves both people and performance. In looking at Starbuck's "Responsibility" page, their community outreach is as strong as the Salvation Army. They work towards giving back to the community as well as towards sound performance within the business.

There are five kinds of power, influence over other, namely reward power, coercive, legitimate, expert, and referent power. All of these types can be exemplified by parenting—reward power is when your parent gives you a cookie for doing your chores. Coercive power is when your parent takes away your video games until you do your chores, or if you don't do them. Legitimate power is the classic "Because I said so" argument of parents is dominant over their children, period. Expert power is explaining to a child "why" or "why not", with given examples that exert a perception that the parent knows more. Finally, referent power is that both you and your parent want to eat, if they cook and you clear off the table, both of your objectives are met. The type of power that would most likely lead to ethical behavior would be a legitimate power, in that, the subordinate would not feel too obliged to follow their leader but still respect them. People understand ladders of power, hierarchies, but for a leader to ask of a subordinate to do something unethical. The subordinate has a duty higher to their leader to perform ethically, a duty to their community and society rather than their leader's profits.

Group norms influence ethical behavior within organizations by the social sense of conformity. Group norms are also generally sanctioned by members within the group, including both employees and management. When a certain norm of a group conflicts with its organization's corporate culture, upper management generally "cracks down" on lower management. For instance, if a general manager of a chain fast food restaurant becomes apathetic and the rest of the team follows, lowering performance, a manager higher than the chain restaurant general manager will take actions against them.

Chapter 8: Developing an Effective Ethics Program

Summary: Companies, similarly to that of children, ought to have a strong parent/orientation as well as an empathetic parent/orientation. Operating while being personable to the employees and

at the same time explaining to the employees all expectations and repercussions of not following the rules and regulations, will lead to more success rather than focusing on only one.

Reflection: Major features of successful ethics training programs and communication systems, I would assume, follow the minimum requirements that are stated in the textbook. For instance, detecting and preventative measures within the codes of ethics, and codes that specifically state expectations in compliance, (223). An example of an ethical company would be Coca-Cola, their Codes of Business Conduct highlights honesty, integrity, and learning from experience, (The Coca-Cola Company). It is important for Coca-Cola, in particular, to be a wholesome company, being that they are a staple of American life.

Either the textbook is bias, or the most logically advantageous ethics program is with the values orientations versus the compliance orientation. The compliance orientation involves law and order and obvious hierarchies within companies. Whereas the values orientations are much more personable, which is what makes employees feel important, the values orientations also establish the basis of the ethical behavior of organizations. Companies, like children, do need a strong orientation as well as an empathetic orientation.

Chapter 9: Managing and Controlling Ethics Programs

Summary: One sure and true way to re-enforce ethical standards is to perform an ethics audit on a company, and using an outside organization to do so. Detecting future ethical problems and potentially uncovering hidden problems and the pros and cons of undergoing an ethics audit. Stakeholders are crucial for this process, due to communication, transparency, conformity, and the need to measure prior ethical training program's effectiveness.

Reflection: The difference between ethics auditing and financial auditing is that ethics involves morals and values set upon the organization, while finances entail numbers and capital, both audits, however, report objective statements of the company's performance. The two audits are also similar, in that the financial audit committee of the company oversees that outside committee performing the ethics audit.

The process of conducting an ethics audit is generally unique to each business. The audit begins by communicating with all management and board members, then establish a committee that will perform the audit. The next step would be to define what level of investigation the audit will go into and review the pre-existing codes of ethics and conduct. Then analyze all pertinent data and information, thusly verify the findings outside of the company with an outside agent and report

the results. There are benefits and risks to performing ethical audits, such as detecting potential problems and uncovering problems that were not meant to be uncovered.

It is important for companies to secure stakeholder input during ethics audits due to the amount of transparency required between companies and their stakeholders. For instance, the amount of compliance with the proclaimed code of ethics and conduct. Incorporating stakeholders along the step of an audit is critical, while also stating who the stakeholders are and interviewing them as well. For instance, lower-level stakeholders, like managers, would have a very valuable input regarding ethical standards. With strong communication between all levels of stakeholders, the more successful the audit's outcome will be.

Chapter 10: Globalization of Ethical Decision Making

Summary: Business ethics on a broader scale involves a myriad of cultural values and beliefs, and integrating them into blanket mission statements for multinational corporations. Businesses, similar to people, have to be abiding by each country's codes of ethics and conduct separately, including laws and cultural customs.

Reflection: Different countries follow different sets of values, but all common values circle around benevolence, honesty, and mercy, it is which value that countries focus on, that is truly different. An article from Small Business Chron states that America and China has very different perceptions in business ethics— Chinese businessmen prefer to be patient, social, and schmoozy, while American businessmen tend to be aggressive, profit-motivated, and contractual. In China, honor, and respect are seen are pertinent values in the home and business, believing acting too promptly may be seen as rude. In America, the “American Dream” involves growing to the top, being as frugal and as profitable as possible. Because of how each society values differing moral codes, their business does the same.

Ethical issues that are associated with multinational corporations (MNCs) include controversies in big business versus small businesses, as well as issues involving honesty, such as bribery or antitrust. In an essay from the University of Suceava, MNCs are responsible for major influences across the Earth— using their example of McDonald's fast food, McDonald's convenient high-calorie food was the first in line when obesity became a major pandemic. MNCs influence small businesses and societies because of how much consumerism they control.

Chapter 11: Ethical Leadership

Summary: Businesses, as well as their forms of leadership, vary on different degrees of assertiveness, cooperativeness, integrity, and compliance. These various degrees of conflict management and styles of management can be directly related to how one could potentially judge a company's behavioral ethics.

Reflection: RADAR stands for Recognize, Avoid, Discover, Answer, and finally, Recover. The model consists of steps in achieving the best possible ethical leadership. The first step is to recognize current and future ethical risks, aid in teaching employees how to recognize them as well. The second step is to put policies into place for the avoidance of misconduct, ensure ethical standards are met. Thirdly, staying vigilant to future ethical risk areas, discovering them, and addressing them. The fourth step highlights communication between all levels of stakeholders, internal and external, promoting ethical discoveries with the firm. The final step is to recover the standards of ethics, generally after a scandal, with its own step-by-step model of rebuilding a company's reputation.

There are five styles of conflict management, each one depending on a level of both cooperation and assertiveness. Starting with both low cooperation and low assertiveness, avoiding, this style of conflict management is not effective. Avoiding conflict can be connected to closed-mindedness; for example, if a company is doing business and receives a gift or bribe, and they want to avoid conflict between them and their business associate, then the company will accept the gift. An avoidance company would not be cooperating with ethical standards, written in the bylaws of the company or not, and they would not be asserting any dominance over their associate by means of complying with the law.

A company high in assertiveness and low in cooperativeness would be practicing a competing conflict style— this is very popular in American companies, a norm you could say. Being power-orientated, always looking up, with little care for the people on the bottom, “winning at any cost” has been thought to become the most successful management style. For example, a company facing a conflict will perform a cost-benefit analysis and choose the cheapest option, even if that decision leads to unethical circumstances. I know of a car company that chooses the outcome of buying out potentially harmed customers rather than the cost of a total recall. The opposite of this style would be low in assertiveness and high in cooperativeness, an accommodating style of conflict, which generally involves giving into the other side. This style is difficult to compete with because they do not compete. For example, if a competing supermarket moves into a neighborhood with an already-existing supermarket, like in the case of Walmart and Meijer, Meijer chose to be the higher price market over Walmart, possibly because they are unable to compete with their prices. A competitive supermarket would have dropped its prices, being assertive over its competitor.

A company that is on a medium level of assertiveness and cooperativeness uses a compromising style of conflict management, or lose-lose as I read it. This is where both companies and their associates give something up in order to gain a thing of value. These types of companies prefer to lose enough to where they do not appear to be competitive. A much more logical style of conflict management would be the collaborating style, which is on a high-level of assertiveness and cooperativeness. Collaborating businesses try to find the most beneficial solution for conflict using creative tactics, or win-win. This type of company also tries to care for all levels of the stakeholders, from top to bottom, as well as strongly recognizing and practicing the firm's stated ethical principles. For example, there an abundance of gas stations all over the world, and within certain areas, the majority of the prices are the same. I imagine the gas stations that are close to each other, look to each other to see what the price of the gas should be. None of them want to set the price too high or too low. So keeping close gas station prices similar, eliminates competition and a monopoly on an important resource.

Leadership that is based on integrity are very honorable and highly value strong ethical principles. Leadership that leans more towards compliance is more strict, in that they comply highly with the leaders above them, very rules-based. One style, I believe, is neither better or worse than the other, if anything, a mix of the two would be most preferred. That would involve the compliant leaders comply with integrity leaders who are very ethically bound.

Chapter 12: Sustainability: Ethical and Social Responsibility Dimensions

Summary: A large part of the social responsibility of able companies is to be sustainable and environmentally friendly. One way to publicize these pursuits is through green marketing, a very beneficial and cost-effective way to make an impact on the natural environment and profit from that fact.

Reflection: In a world that is starting to feel the burn of global warming, taking on sustainable practices is very crucial for businesses. Both for their brand identity/reputation and their added impact on the natural environment. When talking about the social responsibility of organizations, it is referring to how businesses impact how their consumers and other stakeholders feel towards the decisions the business is making. Companies also have a social responsibility to respond to the needs of their current stakeholders, and the needs of future ones. When making ethical decisions, businesses' values and the sustainable practices already implemented into the law are taken heavily into consideration, if not paves the way to the most ethical and sustainable decision.

There benefits to green marketing and drawbacks to greenwashing, the two only collide when a company's green marketing is fraudulent. Green marketing targets consumers who are trying to be environmentally friendly, the benefits of this is much more than appeasing customers, but also being apart of actively minimizing carbon footprints. Companies who greenwash their products are trying to jump on this bandwagon by relishing the short-term profits, not caring about the long-term costs, including possible legal fees over fraudulent claims.