

College of Management

Business Ethics

Lecturer: Dr. Raef Baraka

PMG 750

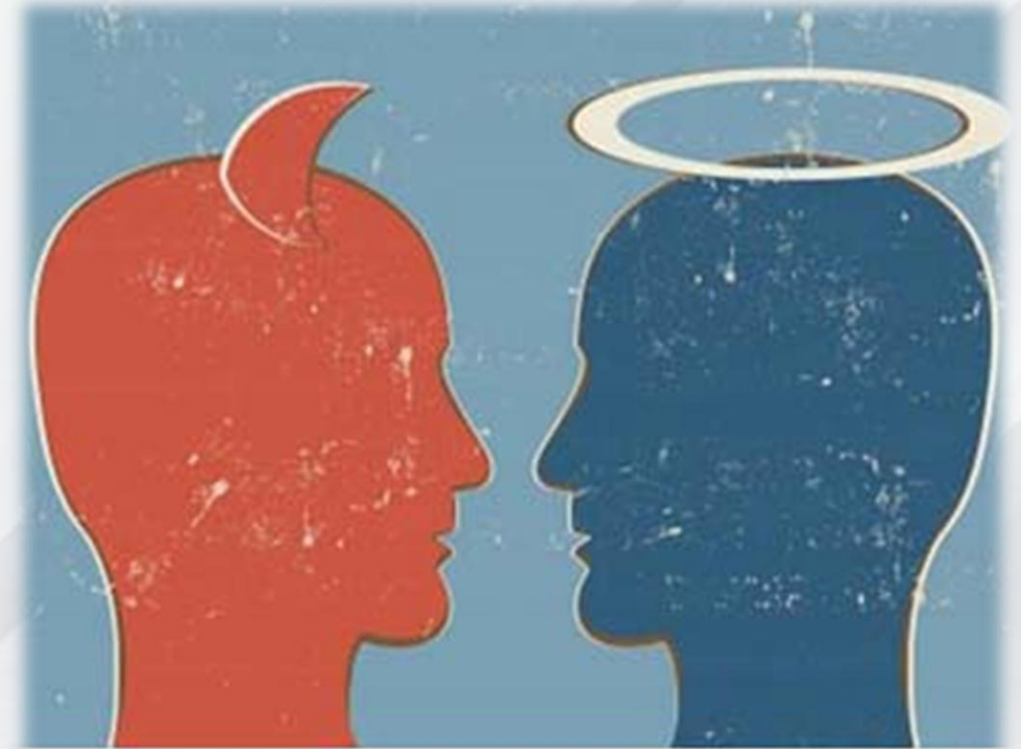
Lecture 06



Chapter 6: INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

CHAPTER OBJECTIVES:

- **Understand** how moral philosophies and values influence individual and group ethical decision-making in business.
- **Compare** and contrast the teleological, deontological, virtue, and justice perspectives of moral philosophy.
- **Discuss** the impact of philosophies on business ethics.

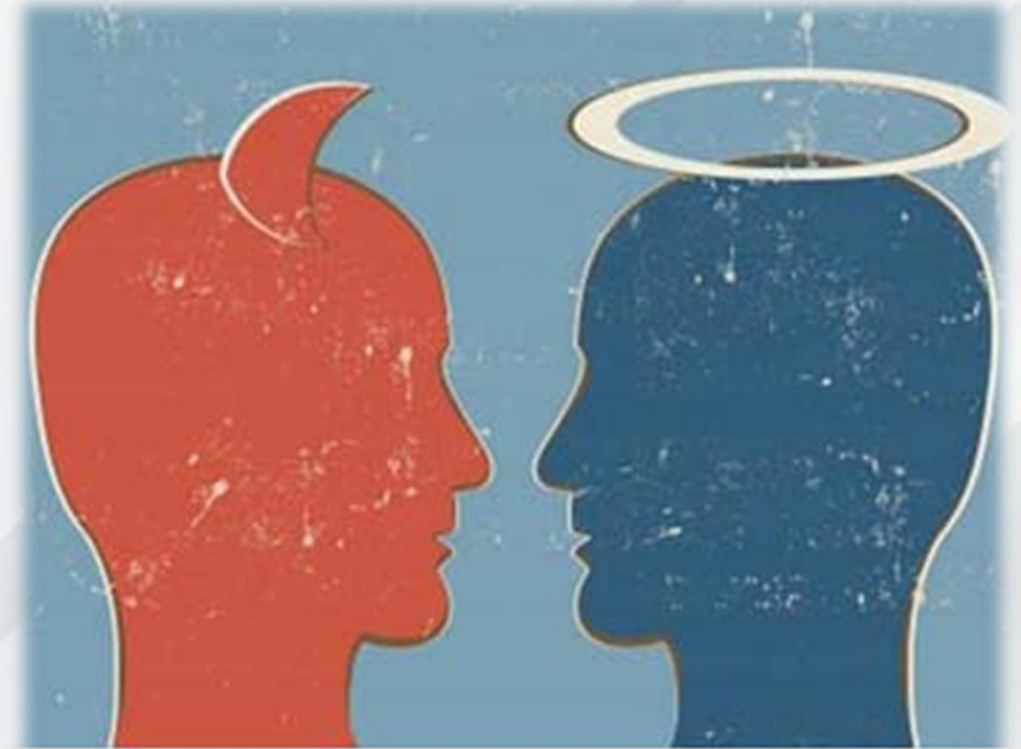


“Ethics is knowing the difference
between what you have a right to do
and what is right to do.”
—Potter Stewart, Justice of the Supreme Court

Chapter 6: INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

CHAPTER OBJECTIVES:

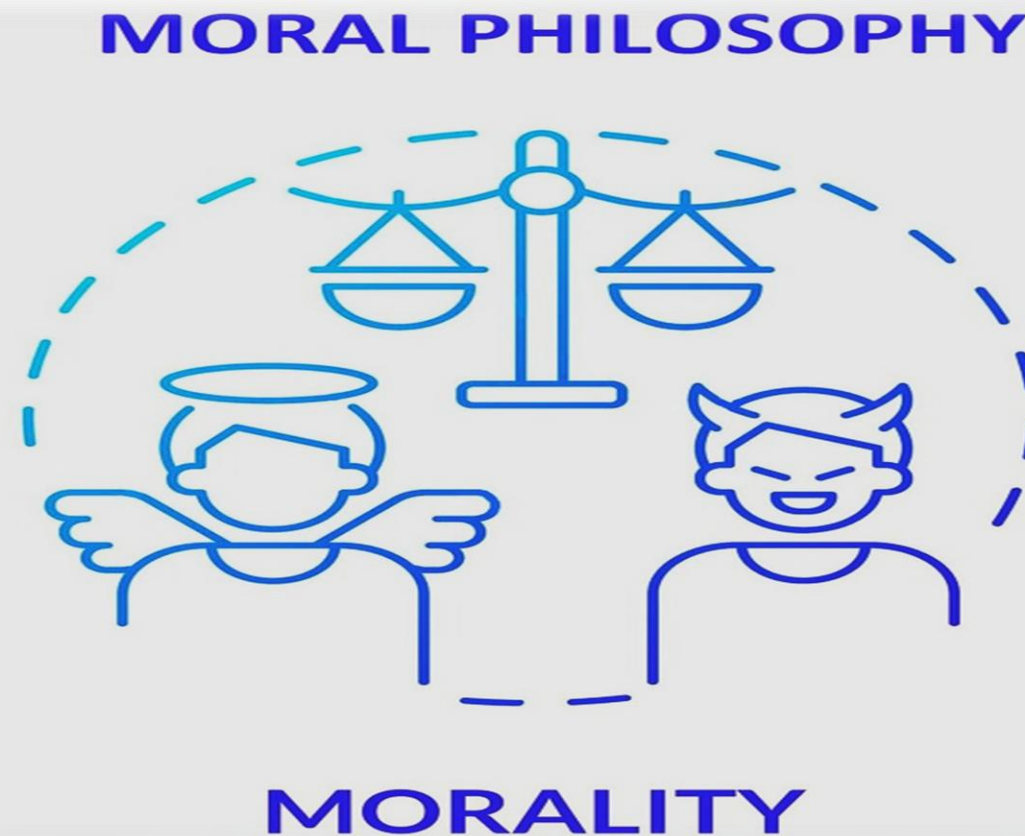
- **Recognize** the stages of cognitive moral development and its shortcomings.
- **Introduce** white-collar crime as it relates to moral philosophies, values, and corporate culture.



“Ethics is knowing the difference
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—Potter Stewart, Justice of the Supreme Court

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

MORAL PHILOSOPHY DEFINED



INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

Moral Philosophy Defined

When people talk about philosophy, they usually refer to the general system of values by which they live.

- **Moral philosophy**, on the other hand, refers to the specific principles or values people use to decide what is right and wrong.

It is important to understand the distinction between moral philosophies and business ethics.

- Moral philosophies are **person-specific**, while business ethics is based on decisions made by **groups** or when carrying out tasks to meet business objectives.

A moral philosophy is a person's principles and values.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

Moral Philosophy Defined

- In the context of business, ethics refers to what the **group, firm, or organization** defines as right or wrong actions that pertain to its business operations and the objective of profits, earnings per share, or some other financial measure of success.

Moral philosophies are guidelines for “determining how conflicts in human interests are to be settled and for optimizing the mutual benefit of people living together in groups.

- These philosophies direct people as they formulate business strategies and resolve specific ethical issues. However, there is no single moral philosophy that everyone accepts. Moral philosophies are often used to defend a particular type of economic system and individuals’ behavior within these systems.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

Moral Philosophy Defined

- People facing ethical issues often base their decisions on their own morals, values, or principles of right or wrong, most of which they learned through the socialization process with the help of family members, social groups, religions, and formal education.
- Individual factors that influence decision making include personal moral philosophies.

Ethical dilemmas arise in problem-solving situations when the rules governing decision-making are vague or in conflict.

- In real-life situations, there is no substitute for an individual's own critical thinking and ability to accept responsibility for his or her decisions.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

Moral Philosophy Defined

- In reality, the decision maker would probably have many more factors to consider in making his or her choice and thus might reach a different decision,

We introduce the concept of goodness and several types of moral philosophy:

- **teleology,**
- **deontology,**
- **the relativist perspective,**
- **virtue ethics, and**
- **justice**
- To appreciate moral philosophy, you must understand the different perspectives on the notion of goodness.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

TABLE 6-1 **A Comparison of the Philosophies Used in Business Decisions**

Teleology	Stipulates acts are morally right or acceptable if they produce some desired result, such as realization of self-interest or utility
Egoism	Defines right or acceptable actions as those that maximize a particular person's self-interest as defined by the individual
Utilitarianism	Defines right or acceptable actions as those that maximize total utility or the greatest good for the greatest number of people
Deontology	Focuses on the preservation of individual rights and on the intentions associated with a particular behavior rather than on its consequences
Relativist	Evaluates ethicalness subjectively on the basis of individual and group experiences
Virtue ethics	Assumes what is moral in a given situation is not only what conventional morality requires but also what the mature person with a "good" moral character deems appropriate
Justice	Evaluates ethicalness on the basis of fairness: distributive, procedural, and interactional

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

THE CONCEPT OF GOODNESS

GOODNESS
meaning

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

The concept of goodness

Two basic concepts of goodness are monism and pluralism:

- **Monists** believe only one thing is intrinsically good, and
- **Pluralists** believe two or more things are intrinsically good.

Monists are often characterized by hedonism—the idea that pleasure is the ultimate good, or the best moral end involves the greatest balance of pleasure over pain.

- Hedonism defines right or acceptable behavior as that which maximizes personal pleasure.
- Moral philosophers describe those who believe more pleasure is better as **quantitative hedonists** and those who believe it is possible to get too much of a good thing (such as pleasure) as **qualitative hedonists**.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

The concept of goodness

Pluralists, often referred to as non-hedonists, take the opposite position that no one thing is intrinsically good.

- For example, a pluralist might view beauty, aesthetic experience, knowledge, and personal affection as ultimate goods.

Plato argued that the good life is a mixture of

- (1) moderation and fitness,
- (2) proportion and beauty,
- (3) intelligence and wisdom,
- (4) sciences and arts, and
- (5) pure pleasures of the soul.

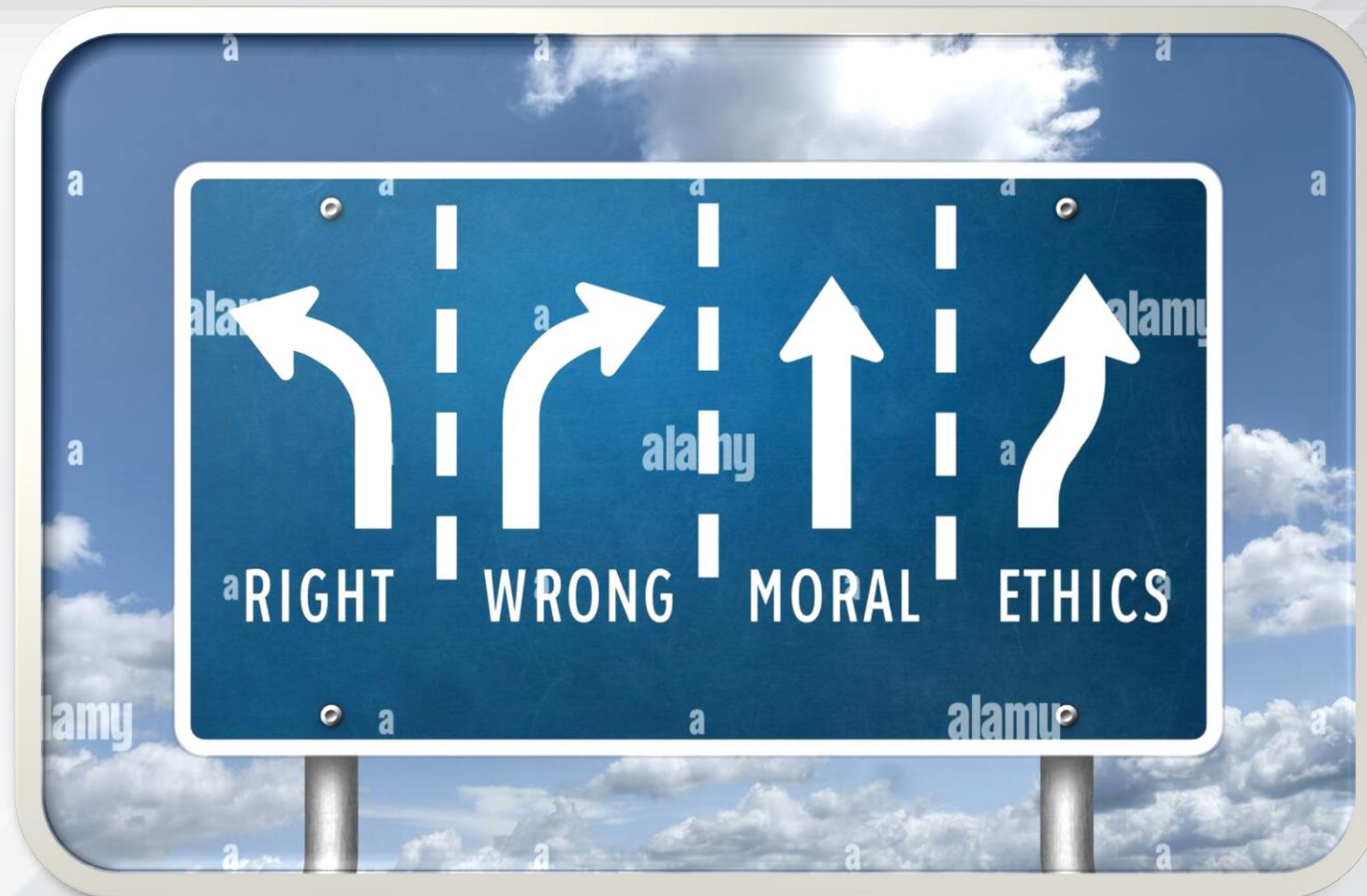
INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

The concept of goodness

- Discussion of moral value often revolves around the nature of goodness, but theories of moral obligation change the question to “**What makes an action right or obligatory?**”
- **Goodness theories** typically focus on the result of actions and the goodness or happiness created by them.
- **Obligation theories** emphasize the means and motives by which actions are justified and are divided into the categories of teleology and deontology.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

MORAL PHILOSOPHIES



INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

1. Moral Philosophy: Teleology

Teleology

Teleology is the branch of *philosophy* that studies "**Finality**"
(a.k.a. "**End**" or "**Purpose**" or "**Goal**")

A *philosopher* who studies this branch is called an **Teleologist**

Anything *philosophical* specifically about this branch is called **Teleological**

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

1. Moral Philosophy: Teleology

- **Teleology** (from the Greek word for “**end**” or “**purpose**”) refers to moral philosophies in which an act is considered morally right or acceptable if it produces some desired result, such as pleasure, knowledge, career growth, the realization of self-interest, utility, wealth, or even fame.
- Teleological philosophies assess the moral worth of a behavior by looking at its consequences, and thus, moral philosophers today often refer to these theories as **consequentialism**.

Two important teleological philosophies that often guide decision-making in individual business decisions are **egoism** and **utilitarianism**.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

1. Moral Philosophy: Teleology

- **Egoism** defines right or acceptable behavior in terms of its consequences for the individual.
- **Egoists** believe they should make decisions that maximize their own self-interest, which is defined differently by each individual.

Depending on the egoist, self-interest may be construed as physical well-being, power, pleasure, fame, a satisfying career, a good family life, wealth, or something else.

- In an ethical decision-making situation, an egoist will probably choose the alternative that contributes most to his or her self-interest.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

1. Moral Philosophy: Teleology

- **Utilitarianism** is concerned with consequences, but unlike the egoist, the utilitarian seeks the greatest good for the greatest number of people.
- **Utilitarians** believe they should make decisions that result in the greatest total utility or the greatest benefit for all those affected by a decision.

For instance, one might use a utilitarianism perspective to argue for companies that legally sell harmful products, such as tobacco, guns, or alcohol.

- It has been argued that, despite their drawbacks, allowing them to be sold legally is less harmful than having them sold illegally and unregulated.
- Utilitarian decision making relies on a systematic comparison of the **costs and benefits** to all affected parties.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

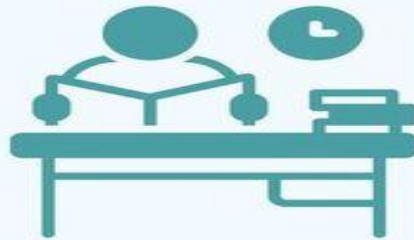
1. Moral Philosophy: Teleology

Using such a cost-benefit analysis, a utilitarian decision maker calculates the utility of the consequences of all possible alternatives and then selects the one that results in the greatest benefit.

- In evaluating an action's consequences, utilitarians must consider all of the potential costs and benefits for all of the people affected by a decision.
- Utilitarians use various criteria to evaluate the morality of an action.
- Some utilitarian philosophers argue that general rules should be followed to decide which action is best.
- These rule utilitarians determine behavior based on principles or rules designed to promote the greatest utility, rather than on individual examinations of each situation they encounter.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

2. Moral Philosophy: Deontology



DEONTOLOGY

(dee-ahn-TAH-luh-jee) noun

THE THEORY OR STUDY OF DUTY AND OBLIGATION, WITH A FOCUS ON THE RIGHT ACTION AS DETERMINED BY A SET OF RULES, IRRESPECTIVE OF THE CONSEQUENCES OF THE ACTION.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

2. Moral Philosophy: Deontology

- **Deontology** (from the Greek word for “**ethics**”) refers to moral philosophies that focus on the rights of individuals and the intentions associated with a particular behavior rather than its consequences.
- Fundamental to deontological theory is the idea that equal respect must be given to all persons.

Unlike utilitarians, **deontologists** argue that there are some things we should not do, even to maximize utility.

- For example, deontologists would consider it wrong to kill an innocent person or commit a serious injustice against someone, no matter how much greater social utility might result from doing so, because such an action would infringe on individual rights.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

2. Moral Philosophy: Deontology

- The utilitarian, however, might consider an action resulting in a person's death acceptable if that action leads to some greater benefit.

Deontological philosophies regard certain behaviors as inherently right, and the determination of this rightness focuses on the individual actor, not on society.

- Therefore, these perspectives are sometimes referred to as non-consequentialism, a system of ethics based on respect for persons.
- The term **nature** is crucial for deontologists.
- In general, deontologists regard the nature of moral principles as permanent and stable, and they believe compliance with these principles defines ethicalness..

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

2. Moral Philosophy: Deontology

- Deontologists believe individuals have certain absolute rights, including freedom of conscience, freedom of consent, freedom of privacy, freedom of speech, and due process.

To decide if a behavior is ethical, deontologists look for conformity to moral principles.

- **For example**, if a manufacturing worker becomes ill or dies as a result of conditions in the workplace, a deontologist might argue that the company must modify its production processes to correct the condition, no matter what the cost, even if it means bankrupting the company and thus causing all workers to lose their jobs.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

2. Moral Philosophy: Deontology

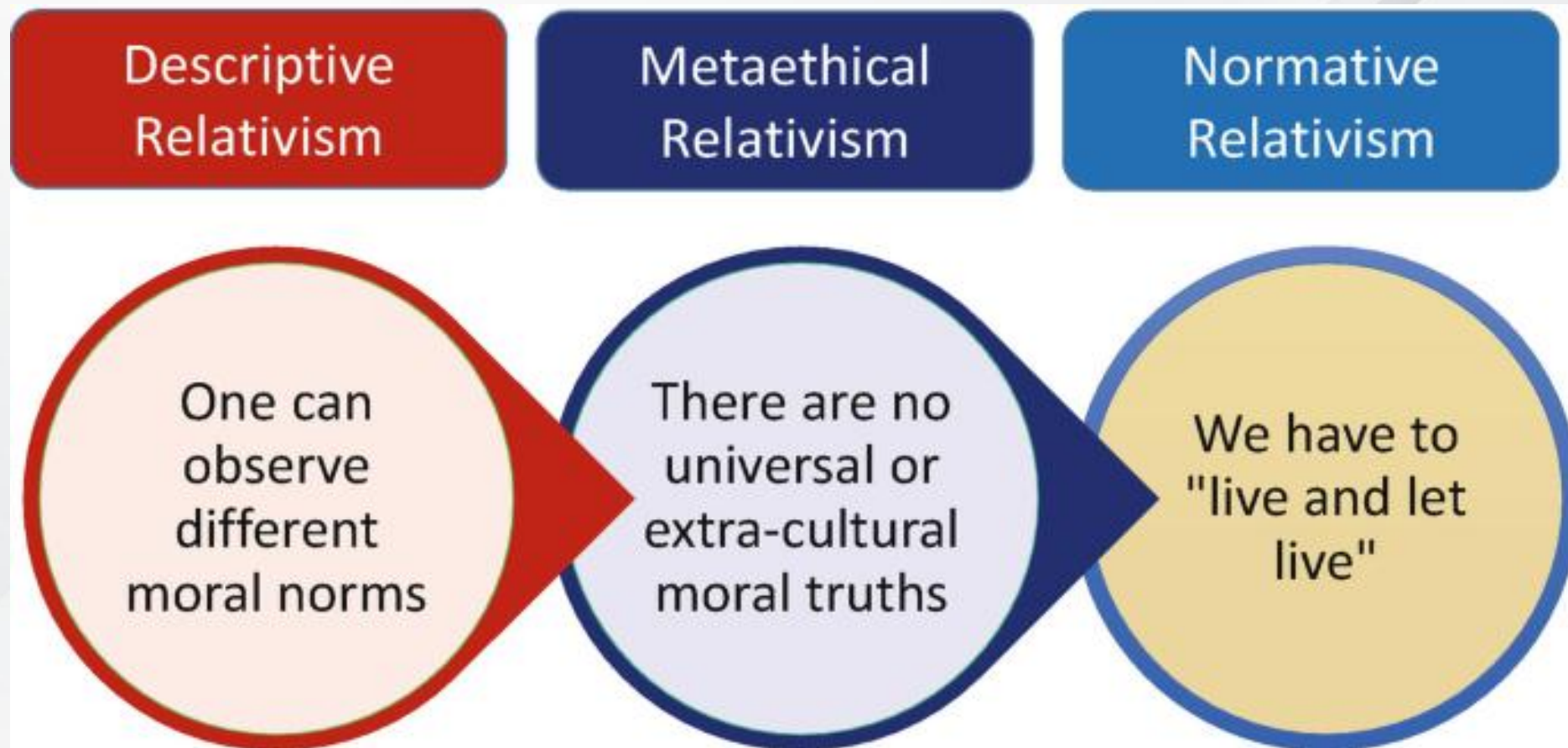
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- **In contrast**, a utilitarian would analyze all the costs and benefits of modifying production processes and make a decision on that basis.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

3. Moral Philosophy: Relativist Perspective



INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

3. Moral Philosophy: Relativist Perspective

- **The Relativist Perspective** of ethical behavior is derived subjectively from the experiences of individuals and groups.
 - **Relativists** use themselves or the people around them as their basis for defining ethical standards, and the various forms of relativism include **descriptive**, **meta-ethical**, and **normative**.
1. **Descriptive relativism** relates to observations of other cultures. Different cultures exhibit different norms, customs, and values, but these observations say nothing about the higher questions of ethical justification. At this point, meta-ethical relativism comes into play.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

3. Moral Philosophy: Relativist Perspective

- **The Relativist Perspective** of ethical behavior is derived subjectively from the experiences of individuals and groups.
- 2. **Meta-ethical relativism** proposes that people naturally see situations from their own perspectives, and there is no objective way of resolving ethical disputes between different value systems and individuals.
- Simply put, one culture's moral philosophy cannot logically be preferred to another's because no meaningful basis for comparison exists.

Because ethical rules are embedded in a specific culture, the values and behaviors of people in one culture do not generally influence the behaviors of people in another culture.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

3. Moral Philosophy: Relativist Perspective

- **The Relativist Perspective** of ethical behavior is derived subjectively from the experiences of individuals and groups.

3. **Normative relativism:** At the individual level of reasoning, we have normative relativism. Normative relativists assume one person's opinion is as good as another's.

Basic relativism acknowledges that we live in a world in which people have many different views and bases from which to justify decisions as right or wrong.

- The relativist looks to the interacting groups and tries to determine probable solutions based on group consensus.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

4. Moral Philosophy: Virtue Ethics



INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

4. Moral Philosophy: Virtue Ethics

- **Virtue ethics** argues that ethical behavior involves not only adhering to conventional moral standards but also considering what a mature person with a “good” moral character would deem appropriate in a given situation..
- **A virtue** represents an acquired disposition valued as a part of an individual’s character.
- As individuals develop socially, they come to behave in ways they consider to be moral.
- A person with the virtue of honesty will be disposed to tell the truth because it is considered to be the right approach in terms of human communication.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

4. Moral Philosophy: Virtue Ethics

The virtue ethics approach to business can be summarized as follows:

1. Good corporate ethics programs encourage individual virtue and integrity.
2. By the employee's role in the community (organization), these virtues form a good person.
3. An individual's ultimate purpose is to serve society's demands and the public good and be rewarded in his or her career.
4. The well-being of the community goes hand in hand with individual excellence.

The elements of virtue most important to business transactions are **trust**, **self-control**, **empathy**, **fairness**, and **truthfulness**.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

4. Moral Philosophy: Virtue Ethics

TABLE 6-2 Virtues That Support Business Transactions

Trust: The predisposition to place confidence in the behavior of others while taking the risk that the expected behavior will not be performed

Eliminates the need for and associated cost of monitoring compliance with agreements, contracts, and reciprocal agreements, as there is the expectation a promise or agreement can be relied on

Self-control: The disposition to pass up an immediate advantage or gratification; the ability to avoid exploiting a known opportunity for personal gain

Gives up short-term self-interest for long-term benefits

Empathy: The ability to share the feelings or emotions of others

Promotes civility because success in the market depends on the courteous treatment of people who have the option of going to competitors; the ability to anticipate needs and satisfy customers and employees contributes to a firm's economic success

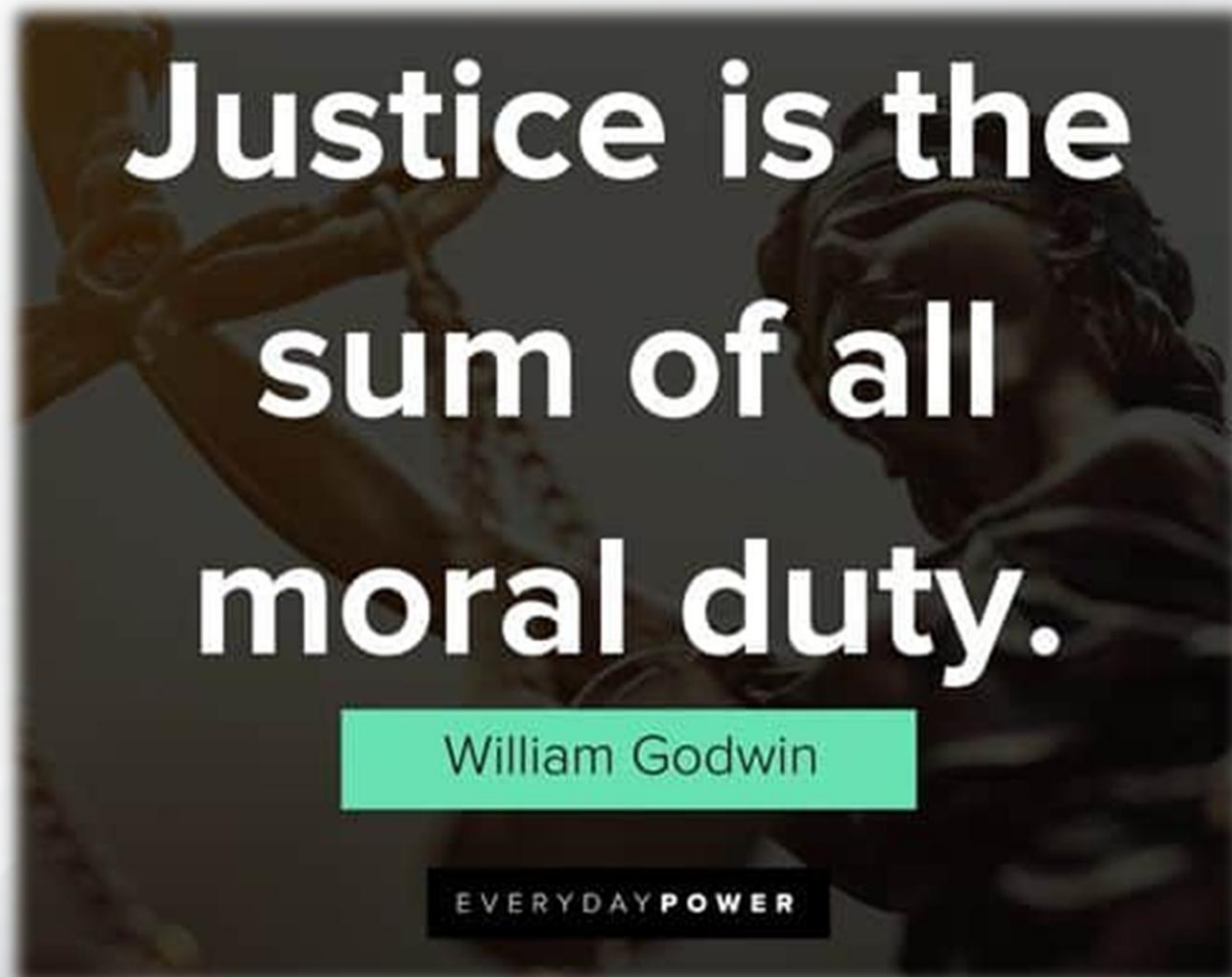
INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

4. Moral Philosophy: Virtue Ethics

Fairness: The disposition to deal equitably with the perceived injustices of others	Often relates to doing the right thing with respect to small matters in order to cultivate a long-term business relationship
Truthfulness: The disposition to provide the facts or correct information as known to the individual	Involves avoiding deception and contributes to trust in business relationships
Learning: The disposition to constantly acquire knowledge internal and external to the firm, whether about an industry, corporate culture, or other societies	Gaining knowledge to make better, more informed decisions
Gratitude: A sign of maturity that is the foundation of civility and decency	The recognition that people do not succeed alone
Civility: The disposition or essence of courtesy, politeness, respect, and consideration for others	Relates to the process of doing business in a culturally correct way, thus decreasing communication errors and increasing trust
Moral leadership: Strength of character, peace of mind and heart, leading to happiness in life	A trait of leaders who follow a consistent pattern of behavior based on virtues

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice



INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice

- **Justice** is fair treatment and due reward in accordance with ethical or legal standards, including the disposition to deal with perceived injustices of others.
- The justice of a situation is based on the perceived rights of individuals and on the intentions of the people involved in a business interaction.

In other words, justice relates to the issue of what individuals feel they are due based on their rights and performance in the workplace.

- For this reason, justice is more likely to be based on deontological moral philosophies than on teleological or utilitarian philosophies.
- Three types of justice provide a framework for evaluating different situations (see Table 6-3).

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice

TABLE 6-3 Types of Justice

Justice Type	Areas of Emphasis
Distributive justice: Based on the evaluation of <i>outcomes or results</i> of the business relationship	Benefits derived Equity in rewards
Procedural justice: Based on the <i>processes</i> and <i>activities</i> that produce the outcome or results	Decision making process Level of access, openness, and participation
Interactional justice: Based on <i>relationships</i> and the <i>treatment</i> of others	Accuracy of information Truthfulness, respect, and courtesy in the process

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice

Three types of justice provide a framework for evaluating different situations:

1. **Distributive justice** is based on the evaluation of the outcomes or results of a business relationship. If some employees feel they are paid less than their coworkers for the same work, they have concerns about distributive justice.

Distributive justice is difficult to effect when one member of the business exchange intends to take advantage of the relationship.

- A boss who forces his employees to do more work so he can take more time off would be unjust because he is taking advantage of his position. Situations such as this cause an imbalance in distributive justice

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice

Three types of justice provide a framework for evaluating different situations:

2. **Procedural justice** considers the processes and activities that produce a particular outcome.

A climate that emphasizes procedural justice positively influences employees' attitudes and behaviors toward work-group cohesion.

- The visibility of supervisors' and the work group's perceptions of their own cohesiveness are products of a climate of procedural justice.
- When there is **strong** employee support for decisions, decision makers, organizations, and outcomes, procedural justice is **less** important to the individual.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice

Three types of justice provide a framework for evaluating different situations:

2. **Procedural justice** considers the processes and activities that produce a particular outcome.
 - In contrast, when employees' support for decisions, decision makers, organizations, or outcomes is **not very strong**, then procedural justice becomes **more** important.

INDIVIDUAL FACTORS: MORAL PHILOSOPHIES AND VALUES

5. Moral Philosophy: Justice

Three types of justice provide a framework for evaluating different situations:

3. **Interactional justice** is based on the relationships between organizational members, including the way employees and management treat one another.

Interactional justice is linked to fairness within member interactions.

- Although interactional justice often refers to how managers treat their subordinates, employees can also be guilty of creating interactional justice disputes
- **For example**, many employees admit they stay home when they are not really sick if they feel they can get away with it.
- Such workplace absenteeism costs businesses millions of dollars each year.



Thank You