



MONASH  
BUSINESS  
SCHOOL

## Business ethics

JUN GU, PHD





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## Business ethics



- Purpose: introduce the key concepts and theories in the study of business ethics
- Ethical dilemma
- Universal ethical values
- Moral development stage
- Ethical philosophy
- Moral intuition
- Moral emotions
- Necessary evil
- Moral disengagement

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## Defining ethics



- A particular type of social value, that having to do with how humans cooperate and coordinate their activities in the service of furthering human welfare, and how they adjudicate conflicts among individual interests (Rest, 1986)
- Moral systems are interlocking sets of value, virtues, norms, practices, identities, institutions, technologies, and evolved psychological mechanisms that work together to suppress or regulate selfishness and make cooperative social life possible (Haidt, 2010).

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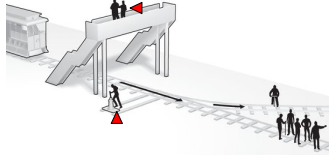
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## Ethical dilemma



- Moral dilemma: a decision where you need to choose one from two or more actions that have moral implications.
- Moral dilemmas help us understand the ethical decision process
- Two classic ethical dilemmas




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## Universal ethical values



- There is a set of ethical values that can be found across different countries and cultures
- What is your price?
  - You will see a series of behaviors, please write down the minimum price that you will get paid (anonymously and secretly) to engage in each behavior
  - For each action, assume there will be no social, legal, or material consequences to you afterward
  - You can go as high as you want, but if you think you will not engage in a behavior no matter how much money you are offered, please write down \$999,999,999,999

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## What's your price



- 1A: Stick a pin into your palm
- 2A: Accept a plasma screen television that a friend of yours wants to give you. You know that your friend got the television a year ago when a company that made it sent it, by mistake and at no charge, to your friend
- 3A: Say something slightly bad about your nation (which you don't believe to be true) while calling in anonymously to a talk-radio show in your nation
- 4A: Slap a friend in the face (with permission) as part of a comedy skit
- 5A: Attend a performance art piece in which the actors act like idiots for 30 min, including failing to solve simple problems and falling down repeatedly on stage

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### Universal ethical values



- Calculate difference scores (e.g., 1B-1A, 2B-2A, etc.)
- Does anyone have negative scores?
- The following five ethical values are universal in human societies
  - Harm/care
  - Fairness/reciprocity
  - Ingroup/loyalty
  - Authority/respect
  - Purity/sanctity

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### Moral developmental stages



- The logic and reasoning used to decide what's the right thing to do in a moral situation
- Developed by Lawrence Kohlberg who studied the moral reasoning of young children over time
- Our moral reasoning ability develops through six stages as we grow into adults

1927-1987




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### Moral developmental stages



- Stage 1 - **Heteronomous morality**: avoiding physical damage to persons and property & avoiding punishment associated with breaking the rules
- Stage 2 - **Instrumental morality**: serving one's own needs and interests & being fair and engaging in equal exchange of benefits with others
- Stage 3 - **Relationship focused morality**: living up to the expectation of others & maintaining quality social relationships (e.g., trust, loyalty, respect, gratitude, etc.)




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### Moral developmental stages



- Stage 4 - **Social system conscience**: maintaining existing social institutions (e.g., the legal system, the economic system) & fulfilling one's social duties as a good citizen
- Stage 5 - **Social contract and individual rights**: promoting the greatest good for the greatest number & respecting basic human rights (e.g., sanctity of life, free will and liberty, etc.)
- Stage 6 - **Universal ethical principles**: Following self-chosen ethical principles (e.g., justice, equality, etc.) and violating laws and social norms when necessary




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### Moral philosophy



- **Consequentialism**: the ethicality of a behavior lies in its consequences; worse consequences = more unethical
- **Deontology**: the ethicality of a behavior lies in its consistency with a set of established rules, regardless of its consequences (e.g., traffic rules)
- **Kantian ethics**: the ethicality of a behavior lies in the intention behind the behavior, and only acts done with the right intent are moral

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### Moral intuition hypothesis



- We feel strong emotions (e.g., disgust, anger) in certain moral situations and reach a moral judgment intuitively and then we engage in rational and logical analyses to provide rationales for our judgment
- Moral intuition examples
 




- Supporting the moral intuition hypothesis, research has found that people make more harsh moral judgments when
  - They are hypnotized with a feeling of disgust
  - There is a slight bad/disgusting smell in the environment
  - They have watched a disgust-inducing video

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## Moral emotions



- The emotions linked to the interests or welfare either of society as a whole or at least of persons other than the judge or agent.
- Guilt & Shame
  - Guilt is more associated with a specific behavior that failed morally, whereas shame is more associated with one's overall identity that failed morally
  - Guilt leads to remorse and other-oriented empathy and increases confession, apology, and corrective behavior
  - Shame leads to self-oriented distress and increases denial and escape
- Vicarious guilt and shame: feelings experienced in response to the transgressions and failures of social others




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## Moral pride



- Pride: An emotion generated by appraisals that one is responsible for a socially valued outcome or for being a social valued person
- Moral pride: pride associated with meeting or exceeding moral standards
- Alpha moral pride
  - Pride in one's moral self
  - Can be maladaptive, distorting and inventing situations to enhance the self, which can lead to interpersonal problems
- Beta moral pride
  - Pride in a specific moral behavior
  - Adaptive, self-regulating and consistently engaging in moral behaviors

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## Embarrassment



- An aversive state of mortification, abashment, and chagrin that follows public social predicaments
- Common causes
  - Situations where a person behaves in a clumsy, absent-minded, or hapless way
  - Awkward social interactions and being conspicuous
  - Generally something is amiss, some aspect of the self or behavior need to be changed

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## Moral elevation



- A positive emotion elicited when observing others behaving in a particularly virtuous, commendable, or superhuman way
- Phenomenology
  - Warm, pleasant
  - “tingling” feelings in the chest
  - Open to others
  - Wanting to help others




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## Necessary evil



- Tasks in which a person must knowingly and intentionally cause emotional or physical harm to another human being in the service of achieving some perceived greater good or purpose
- Common necessary evil for managers and executives
  - Laying off employees
  - Firing people
  - Disciplining others
  - Terminating contracts
  - Delivering negative performance reviews




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## Moral disengagement



- A set of psychological and social mechanisms that disengage self-sanctions from unethical conduct (Bandura, 1990, 1991)
- Individuals who score higher on the moral disengagement scale (i.e., those who are better at utilizing moral disengaging mechanisms)
  - Are more likely to engage in unethical behaviors
  - Experience less emotional stress after engaging in harmful behaviors
  - Might be more likely to be promoted in organizations

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## Moral disengagement



- **Moral justification:** Detrimental conduct is made personally and socially acceptable by portraying it as serving socially worthy or moral purposes
  - E.g., the US send army overseas to “defend the free world” and “protect world peace”
- **Euphemistic labeling:** use euphemistic language to make harmful conduct respectable and to reduce personal responsibility for it
  - Serving the target
  - Career alternative enhancement opportunity
  - A different version of the truth
  - Atmospheric deposition of anthropogenically derived substances

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## Moral disengagement



- **Disregard consequences:** When people pursue activities that are harmful to others for reasons of personal gain or social pressure, they avoid facing the harm they cause, or they minimize it



- **Dehumanization:** Stripping the target of human qualities (e.g., with feelings and hopes), because perceiving a person as having common humanity activates empathy, which makes it difficult to mistreat him/her




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## Moral disengagement



- **Attribution of blame:** after hurting others, people tend to blame the victims for bringing suffering on themselves

- E.g., “They started this”
- E.g., “I wouldn’t have done this if he didn’t do that”



- **Diffusion of responsibility:** sometimes a social arrangement is set up so that the personal agency in engaging in detrimental behavior is obscured by diffusing responsibility among multiple individuals




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