

## **Chapter 2—The Ethical Basis of Law and Business Management**

**The tough question is: How can a businessperson act in an ethically responsible manner and at the same time make profits for their firms?**

**Whereas ethics has to do with the philosophical, rational basis for morality, morals are often defined as universal rules that determine our actions.**

**Business ethics—a consensus of what constitutes right or wrong behavior in the world of business and the application of moral principles to situations that arise in a business setting**

**Immanuel Kant identified some general guiding principles for moral behavior based on what he believed to be the fundamental nature of people**

**categorical imperative—in deciding whether an action is right or wrong, or desirable or undesirable, a person should evaluate the action in terms of what would happen if everybody else in the same situation acted the same way.**

**utilitarianism—ethically correct behavior is not related to any absolute ethical or moral values but to an evaluation of the consequences of a given action on those who will be affected by it. A good decision is one that results in the greatest good for the greatest number of people.**

**Although most firms now issue ethical policies or codes of conduct, these policies and codes are not always effective in creating an ethical workplace. Sometimes this is because a firm's ethical policies are not communicated to employees.**

**If management makes no attempt to deter unethical behavior then it will be clear to employees that management is not all that serious about ethics.**

**Those who support the profit-maximization view contend that the duty to maximize profits must outweigh any other duty when duties conflict—to the extent a firm does not violate the basic rules of society in maximizing shareholder wealth.**

**The issue is the extent to which a corporation has an ethical duty beyond those duties mandated by law or when the corporation is uncertain that a legal duty exists.**

**On the one hand, 1) it is not the company's fault that its product is being misused; 2) it has violated no legal duty; and 3) to cease selling the product in those areas would significantly cut into its profits. On the other hand, 1) suspending sales would reduce the suffering of some children and 2) adverse publicity could result if the firm ignores the outcry.**

**Today, to be considered socially responsible, a corporation must take both employees needs and community needs into consideration when making a decision.**

**Measuring corporate social responsibility is difficult because depending on whose yardstick one uses, the answer differs.**

**Today, many feel that being ethically responsible involves much more than simply donating funds to charity.**

**Honda created the American Honda Education Corporation through which it donated \$40 million over a ten-year period to launch and support the Eagle Rock School in Estes, Colo.**

**In Islamic nations, the consumption of alcohol and certain foods is not allowed. The roles played by women in other nations also may present some difficult ethical problems for firms doing business internationally. Some countries largely reject a professional role for women.**