



Trends

June/July 2011

Business Ethics: Ethical Decision Making

In a socioeconomic climate in which a sizable chunk of the population equates "business management" with "greed," the idea that businesses routinely make use of ethical decision-making tools cuts against the late-night punch lines. Yet as businesses grow in size and complexity, a solid ethical program is a practical and public-relations necessity for larger enterprises to function at a high level.

Types

Ethics, as a branch of philosophy, is the study of making **value-laden judgments** among multiple permissible options. In academic philosophy, there are several competing paradigms as follows:

- Consequentialism--the right action is the one that has the best outcome
- Deontology--doing one's duty is the most important consideration
- Virtue theory--being a good person is the chief aim of ethics
- Care ethics--preserving relationships is the goal of moral behaviors
- Divine-command--the right thing is what is willed by God

There are more than a dozen mainstream approaches to ethics; in some industries, certain approaches predominate. For example, in the military, a duty ethic pervades, whereas in many health-care organizations, care ethics predominate.

In a general business setting, it is unlikely that most leaders and employees will approach ethics from the same paradigm. For that reason, an increasing number of firms develop policies to establish the boundaries of appropriate ethical behavior within the company.

Compliance

Many companies combine their ethics program with their compliance program. Properly understood, ethics is about making the right or best choice among competing alternatives, whereas compliance is about remaining consistent with regulatory requirements. However, some companies mix ethics and compliance to establish unified codes of behaviors for employees and leaders. Although there is nothing intrinsically wrong with this approach, the odds that employees will personally embrace an ethical code that is presented as an absolute are smaller than if a company offered a more flexible model that was sensitive to the various ethical paradigms.

Corporate Social Responsibility

The growing corporate social responsibility (CSR) movement and increasing public sensitivity to environmental issues have thrust business ethics into a larger social spotlight. As part of CSR initiatives, boards of directors are more willing to adopt robust codes of ethics and behavior standards. These often set strategic direction for the enterprise, such as for "green" initiatives or stringent limits on lobbying or limiting conflicts of interest.

Some industries with well-established governing bodies, such as health care or accounting, are governed by industry groups like the Joint Commission on the Accreditation of Healthcare Organizations, which specify the scope and nature of ethical codes that must be in place by member companies to obtain or keep certification.

Ethical Codes

Most business ethics codes cover similar subjects and combine a series of prohibitions with broadly stated principles that are intended to influence decisions at all levels of the organization. For example, a manufacturer might prohibit employees from giving discounts to friends or family, while encouraging them to find innovative ways to satisfy customer demand. Ethical codes intended for employee use are often vague enough to point a staff member in the company's preferred direction without creating a massive list of do's and don'ts.

Making Choices

Ethical decision-making in business requires clarity about who stakeholders are and what sort of hierarchy governs the principles that should influence an employee's behavior. A company should provide a set of principles that inform the decision-making process, such as a code of ethics, and the employee should have sufficient understanding of the scope of a decision to accurately identify all the parties that could be affected. Thus, business ethics is a partnership between a company that provides direction about priorities and employees who have an adequate understanding to apply those principles in context.

Article from Think+Up, College of Management and Technology, Walden University. URL: <http://thinkup.waldenu.edu/social-responsibility/corporate-responsibility-and-ethics/item/11968-business-ethics-ethical-decision-making>; June 11, 2011.