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CHAPTER 3 NOTES

RECOGNIZING AN ETHICAL ISSUE

**ethical issue* is a situation, problem, or opportunity that requires thought, discussion, or investigation to make a decision based on right or wrong, ethical or unethical

**collusion*-secret agreement between two or more parties for a fraudulent, illegal, or deceitful purpose

Honesty

*refers to truthfulness or trustworthiness

*problem because people reason along these lines:

1. Business relationships are a subset of human relationships that are governed by their own rules
2. Business can therefore be considered a game people play
3. Ordinary rules and morality do not hold in games like basketball or boxing.
4. If business is a game like basketball or boxing, ordinary ethical rules do not apply

**dishonesty* is lack of integrity, incomplete disclosure, and unwillingness to tell the truth
Lying (1) causing damage or harm; (2) “white lie” is an excuse or something told to benefit someone else; (3) statements that are meant to engage or entertain with no harm.

Fairness

*quality of being just, equitable and impartial

**equality* how wealth and income is distributed between employees within a company, a country, or across the globe

**reciprocity* is interchange of giving and receiving in social relationships

**optimization* is tradeoff between equality or fairness, and maximum productivity

Integrity

*refers to being whole, sound and in an unimpaired condition

*In an organization it means uncompromising adherence to ethical values

ETHICAL ISSUES AND DILEMMAS IN BUSINESS

**ethical dilemma* is a problem, situation or opportunity that requires an individual, group or organization to choose among several wrong or unethical actions

Abusive or Intimidating Behavior

*most common ethical problem for employees

*includes physical threats, false accusations, being annoying, profanity, insults, yelling, harshness, ignoring someone, and unreasonableness

Lying

**commission lying* is creating perception or belief by words that intentionally deceive the receiver of the message

**noise* technical explanations that the communicator knows the receiver does not understand

**omission lying* intentionally not informing people of any differences, problems, safety warnings, or negative issues relating to the product, service, or company that significantly affects awareness, intention or behavior

Conflicts of Interest

*exists when an individual must choose whether to advance his/her own interests, those of the organization, or those of some other group

Bribery

*offering something (money) to gain a dishonest advantage

**active bribery* person who promises or gives bribe commits the offense

**passive bribery* offense committed by person who receives the bribe

**facilitation payments* made to obtain or retain business or other improper advantages

Corporate Intelligence (CI)

*collection and analysis of information on markets, technologies, customers, and competitors, as well as socioeconomic and external political trends

Hacking

*obtaining trade secrets

**system hacking* assumes the attacker already has access to a low-level, privileged-user account

**remote hacking* attempting to penetrate remotely a system across the Internet

**physical hacking* CI agent enters a facility personally

**social engineering* tricking individuals into revealing their passwords or other valuable corporate information

**shoulder surfing* looking over someone's shoulder while s/he types in a password

**password guessing* finding out enough personal information to guess a password

**dumpster diving* going through trash thrown away on a public street or alley

**whacking* wireless hacking

**phone eavesdropping* monitoring and recording a fax line

Discrimination

**Equal Employment Opportunity Commission (EEOC)* place where discrimination cases are filed

**Age Discrimination in Employment Act* outlaws hiring practices that discriminate against people between the ages of 40 and 69, as well as those requiring employees to retire before age 70

**affirmative action programs* build work forces that reflect customer base by recruiting, hiring, training, and promoting qualified individuals from groups that have traditionally been discriminated against based on race, gender, or other characteristics

Sexual Harassment

*repeated, unwanted behavior of a sexual nature perpetrated upon one individual by another

**hostile work environment* unwelcome conduct; conduct severe, pervasive, and regarded by claimant as hostile or offensive as to alter his/her conditions of employment; reasonable person would find conduct hostile or offensive (all criteria must be met)

**dual relationship* personal, loving, and/or sexual relationship with someone with whom you share professional responsibilities

**unethical dual relationships* cause direct or indirect conflict of interest or a risk of impairment to professional judgment

*minimum steps a company should take to avoid harassment charges:

1. A statement of policy
2. A definition of sexual harassment
3. A nonretaliation policy
4. Specific procedures for prevention
5. Establish, enforce, and encourage victims to report the behavior
6. Establish a reporting procedure
7. Make sure that the company has timely reporting requirements to the proper authorities

Environmental Issues

**Kyoto Protocol* international treaty on climate change committed to reducing emissions of carbon dioxide and to engaging in emissions trading if they maintain or increase emissions of these gases

**water pollution* results from dumping raw sewage and toxic chemicals into rivers and oceans, from oil and gas spills, and from the burial of industrial wastes in the ground where they may filter into underground water supplies

Fraud

*any purposeful communication that deceives, manipulates, or conceals facts in order to create a false impression

**accounting fraud* financial reports on which investors and others base decisions that may involve millions of dollars

**marketing fraud* process of creating, distributing, promoting, and pricing products

**puffery* exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely

**implied falsity* message has a tendency to mislead, confuse, or deceive public

**literally false* (a)tests prove (establishment claims) cites study or test that establishes the claim; (b) bald assertions (nonestablishment claims) claim that cannot be substantiated, as when a commercial states that a certain product is superior to any other on the market

**labeling issues*

**slamming* changing a customer's phone service without authorization

Consumer Fraud

*consumers attempt to deceive businesses for their own gain

**collusion* employee who assists the consumer in fraud

**duplicity* consumer staging an accident, then seeking damages for lack of safety procedures

**guile* person who understand right/wrong behavior but uses tricks to obtain an unfair advantage

Insider Trading

**illegal insider trading* buying or selling of stocks by insiders who possess material that is still not public

**legal insider trading* legally buying and selling stock in an insider's own company

Intellectual-Property Rights

*legal protection of intellectual properties such as music, books, and movies

Privacy Issues

*monitoring of employees' use of available technology and consumer privacy