

Module content and topics

Business Ethics

Indicative study duration: 6 hrs

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Learning outcomes and evaluation criteria

<u>Learning outcomes</u> • Understands the concept of ethics in business context and makes ethical decisions.	<u>Evaluation criteria:</u> • Identifies ethical issues by analysing cases through group discussions and a written report. • Recognizes rationalizations of unethical behaviour by identifying moral disengagement techniques through case study analysis and discussions.
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Introduction to business ethics

- **What is business ethics?** Exploring the concepts of right and wrong, good and bad.
- **Importance of ethics for community development and economic prosperity:** keeping society together and people happy
- **Importance of ethics in business:** ethics role for the success and sustainability of a business
- **Common ethical issues in business:** areas of ethical challenges in businesses.

Ethics deals with questions of right and wrong, good and bad. Business ethics deals with the same questions in the world of business. For example, is it right to sell a product that has a small flaw? Is it good to make promises you cannot keep? When we talk about business ethics, it is about exploring the rules and moral standards that guide a business's practices, not just the legal rules.

Ethics are not just important for individuals, but also for building a healthy and happy society. When people treat each other with respect, honesty, and fairness, it creates a sense of trust and community. It helps to keep societies together, reduce conflicts and improve social welfare. When businesses are ethical, customers are more confident in the products and services they receive. When employees are treated ethically, they are more engaged and productive.

When customers trust that the business will not cheat or lie to them, it leads to repeat business and a strong brand image. Ethical businesses can also attract talented employees who want to work for companies that value honesty and integrity. For a business to prosper long term it must follow ethics and values.

There are many areas where businesses face ethical challenges. Some common ethical issues include:

- offering products or services with hidden flaws
- not delivering products or services as promised
- dishonest marketing or advertising
- mistreating or exploiting workers
- failing to care for the environment.

Ethical businesses strive to do things right, not just to take the easy way out, or maximize profits.

ETHICS

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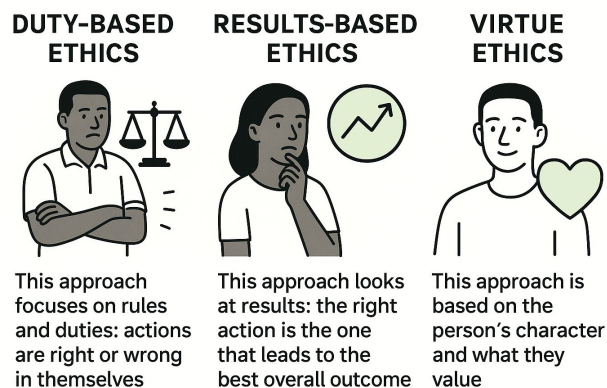


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Ethical frameworks

- **Different ethical perspectives:** deontology, teleology, virtue ethics.
- **Values:** role of values in ethics, lists of values (Rokeach value survey)
- **Ethical dilemmas:** applying the dilemma-solving models.

When faced with a difficult decision, having a way to approach ethical questions can make finding the right path easier. Philosophers have developed different ways of thinking about what is ethical, and these can help businesses make better choices:



- **Duty-based ethics (deontology):** This approach focuses on rules and duties: actions are right or wrong in themselves, regardless of the consequences. For example, lying is always wrong, even if telling a lie might lead to a good outcome. A baker, for example, would always respect contracts and would never try to cut the quality of the bread to increase his/her profits.
- **Results-based ethics (teleology):** This approach argues that the right action is the one that leads to the best overall outcome. This approach looks at results. If lying brings good results, then it's okay to lie. The decision on what is the "best" result, however, can be challenging. For example, business can be justified in using misleading advertising if it helps to create more jobs and stimulate the local economy.
- **Virtue ethics:** This approach is based on the person's character and what they value. It emphasizes being a good person, with good character traits like honesty, integrity, fairness and compassion. This approach focuses on developing virtues that help to make ethical decisions. For example, a business owner who values honesty would always try to be transparent with customers.

Values play a critical role in guiding ethical behaviour. Values are our core beliefs about what is good, right, and important in life. They act as a compass, steering us towards actions that align with our personal morals. The Rokeach Value Survey by Milton Rokeach identifies several important values, such as honesty, compassion, family, freedom, and respect. Businesses also have their own core values, and these must be reflected in their practices and in their marketing. Values inform ethical decisions and drive the behaviours of individuals and organizations.

Many times, ethical decisions will be quite challenging. An ethical dilemma is a situation where a business must choose between two or more options, all of which may have some ethical implications. In these cases, it's helpful to use a decision-making model to help guide the process. One such model is to use the following steps:

1. Define the ethical issue and determine the problem.
2. Think about and identify the various options that are available.

3. Consider the possible effects on different target groups of each option based on different ethical perspectives.
4. Make a decision that best serves all the interests involved and aligns with the business's core values.

For example, a business owner might face a dilemma whether to sell a product they know has a small flaw, or not to sell the product and miss out on profit. By using a framework such as the one described above, the business owner could make a decision that is aligned with their values and is ethically grounded.

Maintaining ethical behaviour

- **Why people fail to do what's right:** behavioural view of ethics
- **Why the common viewpoint about the reasons for unethical behaviour is wrong:** greed and bad character are not the reasons
- **Moral disengagement and neutralization techniques:** how people convince themselves that their unethical actions are okay
- **Role of organizational culture:** role of manager's and other employees in maintaining ethical behaviour.

It's easy to think that only bad people do unethical things, and that greed is the root of most evil. However, studies in behavioural ethics show that many unethical decisions are made by people who consider themselves to be good and honest. Here's a joke to illustrate that:

"Do you have thieves in your neighbourhood?"
"Luckily not! Just people themselves steal sometimes."



Often, it is not that people consciously decide to be unethical, but instead make bad choices because they are influenced by different kinds of "blind spots" that affect their decision making. These "blind spots" can lead to good people doing bad things.

Many people are influenced by factors they don't even realize, and people often make these wrong decisions with the feeling that they are doing the right thing. For example, a business owner might believe they are being clever by cutting corners to reduce costs, unaware that they are harming their customers or their reputation. This is not a conscious effort to deceive people but a biased decision for which they have failed to see alternatives.

Sometimes, people might engage in unethical actions while still feeling good about themselves. This is due to a process called moral disengagement (concept by Albert Bandura), which is a way that people convince themselves that their unethical actions are okay. Here are a list of examples

(Adapted from Heath, J. (2008). Business ethics and moral motivation: a criminological perspective. *Journal of Business Ethics*, 83(4), 595-614.):

- **Denial of responsibility:** An entrepreneur or employee claims they had no control over their unethical actions.
 - *Example:* "I was just following orders from my boss" or "It was the only way to meet the deadline".
- **Denial of injury:** The business tries to minimize or deny the harm caused by their actions.
 - *Example:* "We are just taking a small amount" or "Customers won't be seriously affected".
- **Denial of the victim:** The business claims that the affected party deserved the harm they experienced.
 - *Example:* "That customer always tries to bargain for the lowest price, they deserved to be fooled" or "They knew the risks."
- **Condemnation of the condemners:** The business attacks the motives of those who are pointing out the unethical behaviour, trying to discredit their claims.
 - *Example:* "The authorities are corrupt and don't care about small businesses" or "They are just jealous of our success".
- **Appeal to higher loyalties:** The business claims that the unethical action was committed to fulfil a higher obligation, such as loyalty to the business, family or friends.
 - *Example:* "I did it to save the business and protect jobs" or "I did it for my family".
- **"Everyone else is doing it":** The business uses the fact that others engage in similar unethical actions as an excuse.
 - *Example:* "All our competitors are engaging in that behaviour so we had to do it as well".
- **Claim to entitlement:** The business asserts that it has a right to act in a certain way due to a perceived past injustice or special status.
 - *Example:* "We have suffered in the past and are entitled to profit" or "The state is trying to stop local businesses".



The culture of a workplace can have a big impact on how people act. In places where cheating and dishonesty is common, tolerated or even praised, employees are more likely to also engage in such behaviours.

Business leaders must set an example through their actions, promoting open communication and encouraging employees to speak up about any concerns.

Suggested activities and exercises

Exploring ethical dilemmas in local business

- Students are presented with a case study involving a local market vendor facing an ethical dilemma (e.g., whether to sell slightly damaged produce at full price, whether to give a dishonest customer more products than they paid for).
- Students then analyse the situation and propose solutions considering what is right and wrong, good and bad, and which values are at play.

Implementation:

- Duration: 1 session
- Group discussion and written case analysis
- Use peer evaluation by other students to give feedback
- Deliverables: case analysis, ethical recommendations

Spot the justification

- Students will be presented with a series of short case studies or scenarios depicting common unethical actions in a business context.
- Each scenario will include a justification or rationalization for the unethical behaviour.
- Students must identify which moral disengagement technique (e.g., moral justification, advantageous comparison, displacing responsibility) is being used to justify the unethical action.

Implementation:

- Duration: 1 session
- Group discussion and written case analysis
- Use peer evaluation by other students to give feedback
- Deliverables: A written list of examples with each case scenario matched to the correct moral disengagement technique.

Assessment methods

- Portfolio of group work presentations, materials
- Peer evaluation
- Class participation and discussion

Further reading

The Knowledge Academy. (03/05/2025). *Ethical Frameworks*. The Knowledge Academy Blog. <https://www.theknowledgeacademy.com/blog/ethical-frameworks/>

Heath, J. (2008). Business ethics and moral motivation: a criminological perspective. *Journal of Business Ethics*, 83(4), 595-614.

Sedex. (06/01/2021). *Sedex introduction to business ethics*. Sedex Blog. <https://www.sedex.com/blog/sedex-introduction-to-business-ethics/>

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