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Dipartimento
di Scienze Aziendali

**Master Degree
Accounting, Governance and
Sustainability**

Business Ethics

Introducing Business Ethics - AA 2026-2027

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DATA
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1

1

Overview

In these first lectures we will discuss the following questions:

- What is business ethics?
- Why is business ethics important?
- Globalization: a key context for business ethics?



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2

Ethical dilemma 1: No such thing as a free drink?



ETHICAL DILEMMA 1? No such thing as a free drink?

Jenna, a good friend of yours who studies at the same university, has been complaining for some time to you that she never has any money. She decides that she needs to go out and find a job, and after searching for a while, is offered a job as a bartender in the student bar at your university. She gladly accepts and begins working three nights a week. You are pleased too, not only because it means that Jenna will have more money, but also because it means you will continue to see her regularly—after all, you are a regular customer at the bar!

Jenna enjoys the extra income that the job brings. She also seems to enjoy the work. You are rather pleased with developments since you notice that whenever you go up to the bar, Jenna always serves you first regardless of how many people are waiting.

After a short while, though, it becomes apparent that Jenna is not enjoying the job quite as much as she did. Whenever you see her, she always seems to have a new story of how the bar manager has mistreated her. She tells you how she has been getting the worst shifts, always getting chosen to do the least popular jobs like cleaning the washroom, and being constantly reprimanded for minor blunders that seem to go unnoticed for the rest of the staff.

This goes on for a short while and then one day, when you are in the bar having a drink with some of your other friends, Jenna does something that you are not quite sure how to react to: when you go up to pay for a round of four drinks for you and your other friends, she discreetly only charges you for one drink. While you are slightly uncomfortable with this, you certainly do not want to lose the opportunity to save some money, or even worse, to get your friend into any kind of trouble by refusing. And when you tell your other friends about it, they think it is great fun and congratulate you for the cheap round of drinks! In fact, when the next one of your friends is due to go and buy some drinks, he instead asks you to take his money, so that you can do the same trick for him. Although you tell him to get his own drinks, Jenna continues to undercharge you whenever it is your turn to go to the bar.

This goes on for a number of visits. You are happy to get the cheap rounds at the bar but you are not 100% comfortable with what is going on. You decide to at least say something to Jenna when no one else is around. However, when you do and up raising the subject she just laughs it off and says, "Yeah, it is great isn't it? They will never notice, and you get a cheap night out. Besides, it is only what this place deserves after the way I have been treated."

QUESTIONS

1. Who is wrong in this situation—Jenna for undercharging you, you for accepting it, both of you, or neither of you?
2. Confronted by this situation, how would you handle it? Do nothing, or ask Jenna to stop undercharging you? If you take the latter option, what would you do if she refused?
3. To what extent do you think that being deliberately undercharged is different from other forms of preferential treatment, such as Jenna serving you in front of other waiting customers?
4. Does the fact that Jenna feels aggrieved at the treatment she receives from her boss condone her behaviour? Does it help to explain either her actions or your actions?

3

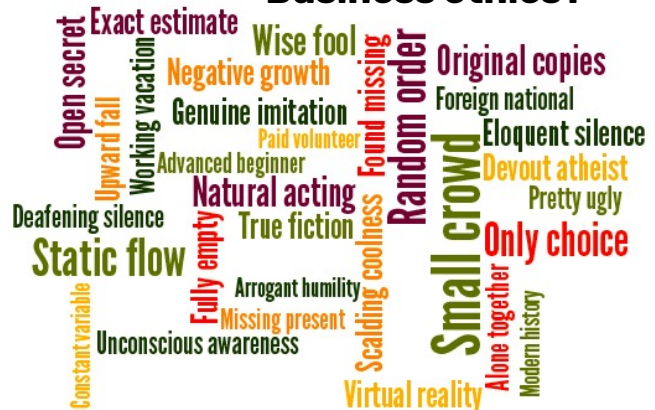
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Defining business ethics

Business Ethics, it is sometimes claimed, is an **oxymoron**.

- What does it mean?
- Which implications?
- Immorality of business
- Amorality of business

Business ethics?



4

4

The Moral Muteness of Managers (Bird & Waters, 1989) Why is it difficult to talk about business ethics?

Most managers suffer from "Moral Muteness", that is they are uneasy in using the language of ethics in their role as managers, because they see ethics as:

- a highly technical discipline that requires an advanced degree to decipher (they don't see themselves as sufficiently qualified to use it);
- involving blame and fault
- an idealistic endeavour, while management is often considered to be all about hard number and practical results



Ethics is (or was) widely
viewed as optional to business
and largely unconnected



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5

But the truth is that while our particular choice of morals in business is optional, whether we have morals in business is not!

Ethics is not an option, it is an inescapable part of what means to be human, and that includes what we do in business

Wicks, Freeman, Werhane and
Martin, 2010, p. 2



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6

6

"Managers must see ethics not only as an integral part of management but also as something that can help them and their organization to achieve excellence"

Wicks, Freeman, Werhane and Martin, 2010, p. 3



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7

What is business ethics?

Business ethics is the study of business situations, activities, and decisions where issues of "right and wrong", values and purposes are addressed.

Why we need ethics if we have the law?



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8

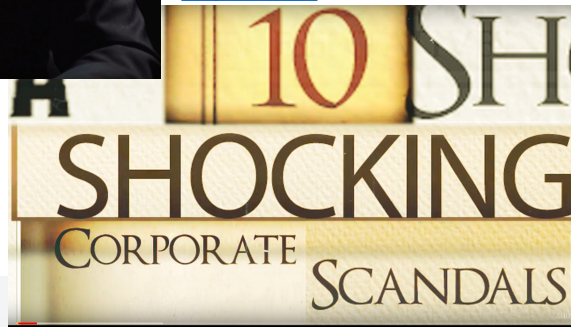
8

Corporate scandals and business ethics



<https://www.youtube.com/watch?v=X2ey6OqAxLY>

<https://www.youtube.com/watch?v=QepKsfmfSo>



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9

9

Corporate scandals and business ethics



- What is wrong with these stories?
- Why do we feel these stories are "wrong"/"unfair"/"scandals"?
- What about the role of the legislation in preventing abuses?
- Are there any spaces to talk about and study **business ethics**?



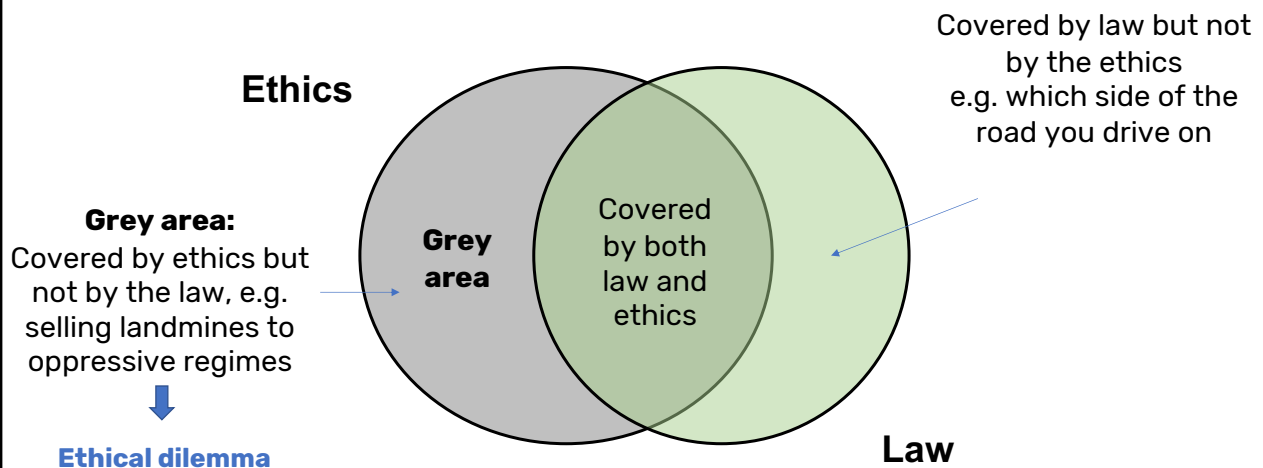
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10

10

The relationship between ethics and the law

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11

Legal motives according to the three-domain CRS model by Schwartz and Carroll (2003)

Type of legal motive	Description	Example
Passive/accidental compliance (outside legal domain)	Unintentional/unconscious compliance of laws and regulations	Driving a car under the speed limit due to poor street conditions, not because of traffic rules
Restrictive compliance	Intentional compliance of restrictive laws and regulations	Compliance of emission control standards in the production process
Opportunistic compliance	Seeking out most profitable option in the legal system	Choosing business locations with weaker control standards or lower tax rate obligations
Avoidance of civil litigation	Mainly aiming to avoid possible civil litigation for negligence of law	Voluntary recall of products with qualitative defects
Anticipation of law	Acting according to anticipated changes to legislation, e.g. based on laws in other legislative regions	Engaging production technology with higher environmental protection standards that are not yet applicable, but widely accepted in the international community

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What is business ethics?

Business ethics provide us with some **answers (or at least tools)** as to why certain decisions should be evaluated as ethical or unethical, or right or wrong.

Studying business ethics should help you to make **better** decisions, but this is not the same as making unequivocally **right** decisions. Business ethics is principally about **developing good judgement**.

Ethical reasoning improve our ability to come through and **be accountable** to others.

... from opinions to argumentations



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13

13

«Ethics refers to our efforts to figure out what we should do and how we should live.

*[...] It involves the challenge of figuring out **how to justify our behavior** – both to ourselves and to others (in business, e.g., to shareholders, employees, and the public).»*

«Taking ethics seriously involves the admission that other people have inherent worth and dignity, so that our decisions [...] need to be backed up with good reasons.»

Wicks et al., 2010, p. 4



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14

14

Defining morality, ethics and ethical theory

Morality is concerned with the *norms, values and beliefs* embedded in social processes which define right and wrong for an individual or a community.

Ethics is concerned with the study of morality and the *application of reasons* to elucidate specific rules and principles that determine right and wrong for any given situation.

These rules and principles are called **ethical theories**.



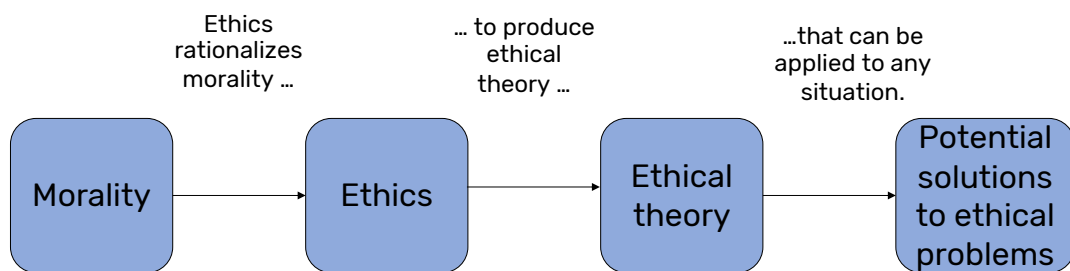
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15

15

The relationship between morality, ethics and ethical theory



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16

16

Why is business ethics important?

1. Power and influence of business in society
2. Potential to provide major contribution to society
3. Potential for businesses to inflict harm on individuals, society and the environment
4. Increasing demands from stakeholders
5. Lack of business ethics education or training
6. Continued occurrence of ethical infractions
7. Businesses face a trust deficit



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17

17

Business ethics in different organizational contexts

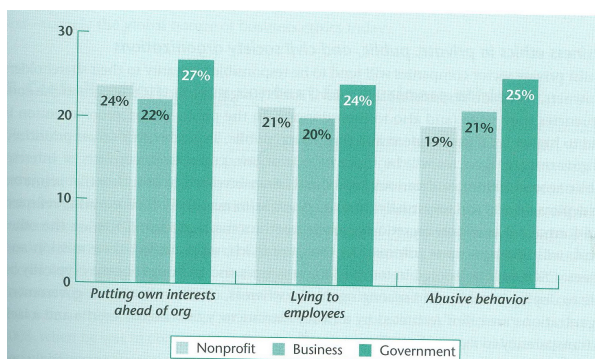


Figure 1.3. Types of misconduct across sectors

Source: Ethics Resource Center (2008), 2007 National Nonprofit Ethics Survey: An Inside View of Nonprofit Sector Ethics, Arlington, VA: Ethics Resource Center: p.16. Reprinted with permission.

Source: Crane e Matten (2010).
Business ethics, Oxford University Press



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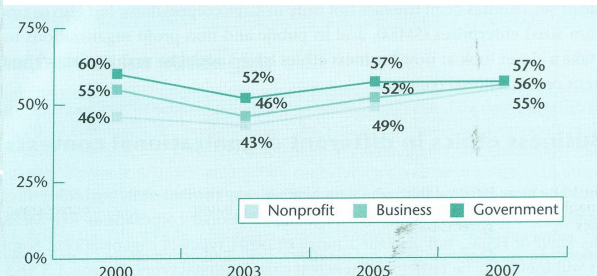


Figure 1.4. Observed ethical misconduct across sectors

Source: Ethics Resource Center (2008), 2007 National Nonprofit Ethics Survey: An Inside View of Nonprofit Sector Ethics, Arlington, VA: Ethics Resource Center: p.3. Reprinted with permission.

18

Differences across organizational types

	Large Corporations	Small Businesses	Civil Society Organisations	Public Sector
Main priorities in addressing ethical issues	Financial integrity, employee/customer issues	Employee, customer/community issues	Delivery of mission to clients; legitimacy and accountability issues	Rule of law, conflict of interest; accountability issues
Approach to managing ethics	Formal, public relations and/or systems-based	Informal, relationship and trust based	Informal values based	Formal, bureaucratic, regulated
Responsible and/or accountable to	Shareholders and other stakeholders	Owners and family members	Donors and clients	General public, higher level government organisations
Main constraints	Shareholder orientation; size and complexity	Lack of resources, including time	Lack of resources and formal training	Inertia, lack of transparency



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19

19

Ethical Issues in different industries

Chemical industry – competitive practices, environmental responsibility, health and safety and human rights

Supermarkets – Healthy eating (especially sugar and salt content), food and packaging waste, power in supply chain relationships, supply chain CO₂ emissions, community relationships, local economies decline of town centre locations.

Information and mobile technology industry – competitive practices, fair pricing, global production methods, data protection, protection of consumer from harmful materials and energy and water usage and CO₂ emissions.

Financial services – weak regulation, financial crime, responsible lending, sales practices and consumer protection, tax evasion and avoidance



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20

20

Different approaches to business ethics depending on culture

- Who is responsible for ethical conduct in business?
- Who is the key actor in business ethics?
- What are the key ethical guidelines for ethical behaviour?
- What are the key issues in business ethics?
- What is the most dominant stakeholder management approach?



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21

Regional differences: Europe, North America, Asia

	Europe	North America	Asia
Who is responsible for ethical conduct in business?	Social control by the collective	The Individual	Top Management
Who is the key actor in business ethics?	Government, trade unions, corporate associations	The Corporation	Government, corporations
What are the key guidelines for ethical behaviour?	Negotiated legal framework of business	Corporate codes of ethics	Managerial discretion
What are the key issues in business ethics?	Social issues in organizing the framework of business	Misconduct and immorality in single decision situations	Corporate governance and accountability
What is the dominant stakeholder management approach?	Formalised multiple stakeholder approach	Focus on shareholder value	Implicit multiple stakeholder approach, benign managerialism



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Source: Crane et al. 2019

22

The “ethical” impact of globalization on different stakeholder groups

Stakeholders	Ethical impacts of globalization
Shareholders	Globalization provides potential for greater profitability, but also greater risks. Lack of regulation of capital markets, leading to additional financial risks and instability.
Employees	Corporations outsource production to developing countries in order to reduce costs in global marketplace - this provides jobs but also raises the potential for exploitation of employees through poor working conditions.
Consumers	Global products provide social benefits to consumers across the globe but may also meet protests about cultural imperialism and westernization. Globalization can bring cheaper prices to customers, but vulnerable consumers in developing countries may also face the possibility of exploitation by MNCs.
Suppliers & Competitors	Suppliers in developing countries face regulation from MNCs through supply chain management. Small scale indigenous competitors exposed to global players.
Civil Society (e.g. NGO's)	Global activities brings the company in direct interaction to local communities with possibility for erosion of traditional life; globally active pressure groups emerge with aim to “police” the corporation where governments are weak and tolerant.
Government & Regulation	Globalization weakens governments and increases the corporate responsibility for jobs, welfare, maintenance of ethical standards, etc. Globalization also confronts governments with corporations from different cultural expectations about issues such as bribery, corruption, taxation, and philanthropy.



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23

Which are the ethical impacts of globalization on different stakeholder groups?



Race to the bottom

A process whereby multinationals pit developing countries against each other, by allocating foreign direct investment to countries that can offer them the most favourable conditions in terms of low tax rates, low levels of environmental regulation, and restricted workers' rights



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24

24

Summary

- ✓ Definition of business ethics
- ✓ Relationship between business ethics and the law
- ✓ Business ethics is vital for business in contemporary capitalism
- ✓ Ethical challenges are different depending on the type of organization and context
- ✓ A global view is essential to understand ethical issues



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32