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Dipartimento
di Scienze Aziendali

Business Ethics

Normative Ethical Theories

Corso di laurea
In Business Administration,
Professional and Managerial
Accounting

RELATORI
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SEDE
Via dei Caniana, 2

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Alternative perspectives on ethical theory

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Approaches based on character and integrity

Virtue ethics

Contends that morally correct actions are those undertaken by actors with virtuous characters. Therefore, the formation of a virtuous character is the first step towards morally correct behaviour

- Intellectual virtues (practical wisdom)
- Moral virtues (temperance, courage, justice, honesty, etc.)
- Acquired traits (we acquire them by learning and by being in relation with others in a community)
- Standard of excellence



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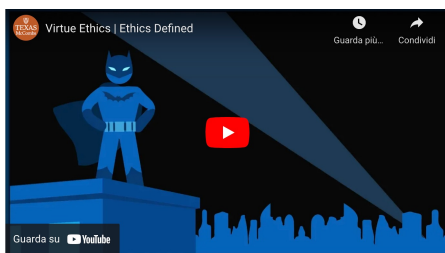
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Virtue ethics

Virtue ethics and other
traditional ethical theories



<https://ethicsunwrapped.utexas.edu/glossary/virtue-ethics>

Which virtues for business?
And why?



<https://www.youtube.com/watch?v=uWVVuIWMmu0>



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Virtue ethics and virtuous practices

- **Virtue ethics is a developing approach within business ethics**, following the “recovery” of the idea of virtue in mainstream philosophical ethics in the second half of the twentieth century (Anscombe, 1958; MacIntyre, 1985; Battaly, 2010)
- Virtues are the **realization of the potential of human beings** to be able to achieve what is good for them and for others. Actions, therefore, are evaluated in relation to the development of the person's character
- The development of a **business culture or character** (Moore, 2005 and 2015) may be regarded in a similar way, where the business develops through the actions of its members in an analogous way to the person (Goodpaster and Matthews, 1982; Moore, 2005 and 2008)



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Ethical dilemma

Let's go back some centuries, to Roman time. Your neighbour has to go to war, in a far province of the Roman Empire. He asks you to keep a sword until he returns. It is a beautiful and costly sword he has got from his father.

After some years he comes back. He has suffered war injuries and has become insane. He asks his sword back, but the risk is great he is going to use the sword against himself or against other people.

Which is your first, immediate reaction:
Would you give the sword back or keep it?
Why?



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Business ethics: 'short cut' theories

Contract theory: an agreement is an agreement and has to be respected

- a form of non-consequentialist ethics
- contract can be explicit or implicit
- assumes transparency and full information of actors – yet power asymmetries are downplayed

Due care theory: care as central principle

- a form of consequentialists theory
- decisions taken in context of personal human interrelations
- active 'taking' of responsibility – yet possibly paternalistic; therefore, it should be applied only when the circumstances under which an agreement has been reached have dramatically changed
- learning and developing from experience



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Approaches based on relationship and responsibility



Carol Gilligan

Ethics of care

An approach that prioritizes empathy, harmonious and healthy social relationships, care for one another, and avoidance of harm above abstract principles



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Approaches based on relationship and responsibility

Ethics of care - Key elements

Feminist approach to business ethics

Relationships and emotions

- Decisions taken in context of personal human interrelations
- Emotional commitment
- Bound by circumstances, relations and position
- Restricted information and unequal power position

Responsibility

- Active 'taking' of responsibility, rather than merely 'having' it

Processes rather than results

- Learn and develop from experience



Carol Gilligan



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Approaches based on procedures of norm generation



J. Habermans

Discourse ethics

Aims to solve ethical conflicts by providing a process of norm generation through rational reflection on the real-life experiences of all relevant participants

Key elements

- Ultimate goal of ethical issues in business should be the *peaceful settlement of conflicts*
- Different parties in a conflict should sit together and engage in a *discourse* about the settlement of the conflict, and ultimately provide a situation that is acceptable to all
- 'Ideal discourse' criteria (impartiality, non-persuasiveness, non-coercion, expertise)



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Approaches based on empathy and moral impulse



Z. Bauman

Postmodern ethics

An approach that locates morality beyond the sphere of rationality in an emotional ‘moral impulse’ towards others. It encourages individual actors to question everyday practices and rules, and to listen to and follow their emotions, inner convictions and ‘gut feelings’ about what they think is right and wrong in a particular incident of decision-making.

- Holistic approach – no separation between private and professional realm
- Practices rather than principles
- Think local, act local
- Preliminary character



Alternative perspectives on ethical theory 1

	Virtue Ethics	Ethics of care	Discourse ethics	Postmodern ethics
Type	Virtue	Feminist	Procedural	Poststructuralist
Contributors	Aristotle Alasdair Macintyre	Carol Gilligan Virginia Held	Jürgen Habermas	Zygmunt Bauman
Key works	Nichomachean ethics (A) After Virtue (AM)	In a different voice (CG) The ethics of care: Personal, political and global (VH)	Moral consciousness and communicative action (JH)	Postmodern ethics (ZB)



Alternative perspectives on ethical theory 2

	Virtue Ethics	Ethics of care	Discourse ethics	Postmodern ethics
Focus	Character	Relationships	Deliberative	Moral impulse
Guiding Tenets	Strive to be a good person	Our first responsibility is to our significant relationships	Conflict resolution requires honest, open exchange and discussion	Ethics is context and individual specific
Concept of human beings	Humans can lead virtuous traits to lead a good life	Humans are relational and interdependent	Humans are rational individuals who can resolve conflicts by a process of argumentation	Humans have an innate internal guide to ethics



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Source: Crane et al (2019)

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From philosophy to practical judgment: decision guides for managers

Decision guide 1 – from Deontology to Standard of Conduct

Standard of Conducts refer to the principles and rules governing a particular community. These standards determine what the community considers morally appropriate and inappropriate actions and help the community articulate its moral rules.

- Company, industry, national and international levels/communities (code of ethics, standards, etc.)

Wicks et al. 2010, chapter 1



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From philosophy to practical judgment: decision guides for managers

Decision guide 2 – from Virtue Ethics to Character and Relationships

The core idea is that firms have to «walk the talk» and find ways of doing business that enable them to embody the character traits to which they aspire.

- Question of self-development and seek of excellence:
Who we want to be?

Wicks et al. 2010, chapter 1



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From philosophy to practical judgment: decision guides for managers

Decision guide 3 – from Consequentialist to Purposes and Consequences

Purpose and consequences are central both to managers and to a firm's core stakeholders.

Selecting a set of defensible purpose and then taking actions that help achieve those goals are at the core of ethical behaviour.

- Underscore the moral importance of managers selecting the right goals and using the resources of the organization to realize them.
- Creating favourable consequences for key stakeholders

Wicks et al. 2010, chapter 1

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Avoiding rationalization

Rationalization is the process of convincing yourself that a decision is fair and defensible, when, in fact, it merely serves your own interests or offers an easy way out.

Rationalizations are a common pitfall in decision making.

3 tests

1. The publicity test:

«Could you defend your decision if it were made public?»



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Avoiding rationalization

2. The Reversibility Test: Put yourself in the position of the person who would suffer the primary negative consequences of a decision. «Could you defend your reasoning if you were on the losing end of your decision?»



3. The Generalizability Test: «Is the action you are contemplating, and the rationale behind it, something you wish others would adopt in similar circumstances?»



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Towards a pragmatic use of ethical theory



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Ethical Pluralism

Crane et al (2019) argue that for the practical purpose of making effective decisions in business:

- Not suggest one theory or one approach as the best or true view of a moral dilemma
- Suggest that all these theoretical approaches throw light from different angles on one and same problem
- Complementary rather than mutually exclusive
- Advocate position of **pluralism**
- Middle ground between absolutism and relativism



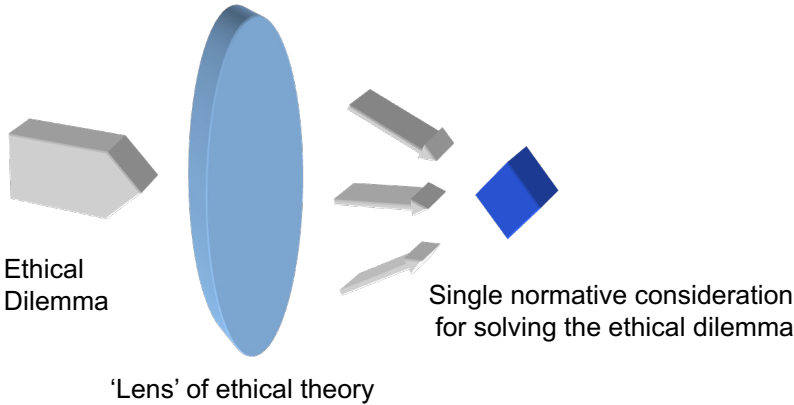
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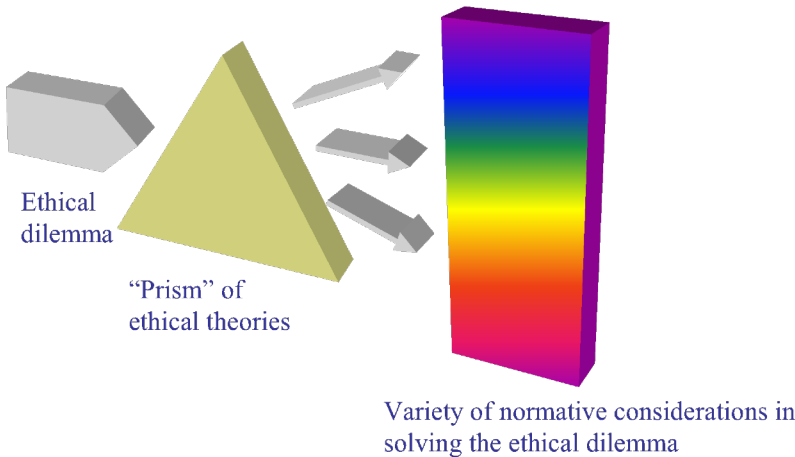
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Typical Perspective



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Pluralistic Perspective



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Considerations in making ethical decision: key insights from ethical theory 1

Consideration	Typical questions you might ask yourself	Theory
One's own interests	Is this really in my, or my organization's, best long term interests? Would it be acceptable and expected for me to think only of consequences to myself in this situation?	Egoism
Social consequences	If I consider all of the possible consequences of my actions, for everyone that is affected, will we be better or worse off overall? How likely are these consequences and how significant are they?	Utilitarianism
Duties to others	Who do I have obligations to in this situation? What would happen if everybody acted in this same way as me? Am I treating people only to get what I want for myself (or my organization) or am I thinking also of what they want too?	Ethics of duty
Entitlements of others	Whose rights do I need to consider here? Am I respecting fundamental rights and human dignity?	Ethics of rights
Fairness	Am I treating everyone fairly here? Have processes been set up to allow everyone an equal chance? Are there major disparities between the 'winners' and 'losers' that could be avoided?	Theories of justice



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Source: Crane et al (2019)

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Considerations in making ethical decision: key insights from ethical theory 2

Consideration	Typical questions you might ask yourself	Theory
Character and integrity	Am I acting with integrity here? What would a decent, honest person do in the same situation?	Virtue ethics
Relationships and responsibilities	How do (or would) the other affected parties feel in this situation? Can I avoid doing harm to others? Which solution is most likely to preserve healthy and harmonious relationship among those involved?	Ethic of care
Procedures of norm generation	What norms can we work out together to provide a mutually acceptable solution to this problem? How can we achieve a peaceful settlement of this conflict that avoids 'railroading' by the most powerful player?	Discourse ethics
Empathy and moral impulse	Am I simply going along with the usual practice here, or slavishly following the organization's code, without questioning whether it really feels right to me? How can I get closer to those likely to be affected by my decision? What do my emotions or gut feelings tell me once I'm out of the office?	Postmodern ethics



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Source: Crane et al (2019)

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Summary

Ethical theories are the rules and principles that determine right and wrong for any given situation

A variety of different ethical theories exist which all have their individual strengths and weaknesses

Ethical theories can serve as a prism for viewing ethical problems

Ethical pluralism is the middle ground between absolutism and relativism



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Ethical dilemma 3 – Producing toys – child's play?

Producing toys—child's play?

You are the product manager of a confectionery company that includes small plastic toys with its chocolate sweets. Having met a potential Thai manufacturer of these toys at a trade fair in Europe, you now visit the company in the north-eastern part of Thailand to finalize a two-year supply contract. Arriving there and talking to the sales manager, you are able to arrange a deal that supplies you with the toys at a third of the cost currently charged by your Portuguese supplier, but with equivalent quality and supply arrangements.

In order to check the reliability of the manufacturing process you ask the manager to show you around the place. You are surprised to find out that there is no real workshop on the premises. Rather, the production process is organized such that at 6am, about 30 men line up at the company's gate, load large boxes with toy components on their little carts or motor-scooters and take the material to their homes.

Your prospective supplier then takes you to one of these places where you see a large family, sitting in a garage-like barn assembling the toys. Not only are the mother and father doing the job, but also the couple's six children, aged 5 to 14, who are working busily—and from what you see, very cheerfully—together with the parents, while the grandmother is looking after the food in an adjacent room. In the evening, at around 8pm, the day's work is done, the assembled toys are stored back in the boxes and taken to the workshop of the company, where the men receive their payment for the finished goods. At the end of the week, the toys are shipped to the customers in Europe.

As you have never come across such a pattern of manufacturing, your Thai partner explains to you that this is a very common and well-established practice in this part of the country, and one which guarantees a good level of quality. Satisfied, you tell the Thai manager that you will conclude the paperwork once you get back home, and you leave the company offices happy in the knowledge of the cost savings you're going to make, and quietly confident that it will result in a healthy bonus for you at the end of the year.

On your way back, while buying some souvenirs for your 5- and 7-year-old nieces at the airport, you suddenly start wondering if you would like to see them growing up the same way as the child workers that you have just employed to make your company's toys.

Questions

- 1 Reading the case and putting yourself in the role of the product manager, what would your immediate gut reaction be?
- 2 Based on your spontaneous immediate decision, can you set out the reasons for your choice? Also, can you relate those reasons back to some underlying values or principles that are obviously important to you?



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