Introduction to Business Ethics

The principles of right and wrong that guide an individual in making decisions are called ethics. The use of personal ethics in making business decisions is called business ethics. In these Business Ethics Activities, you will have the opportunity to analyze the ethics of common business situations by using the following three-step checklist as a guide in collecting relevant information regarding an action.

1. Is the action illegal? Does the action violate any laws? Obeying the law is in your best interest and the best interest of your business.
2. Does the action violate company or professional standards? Public laws often set only minimum standards of behavior. Many businesses and professions set even higher standards of behavior. Thus, an action may be legal, yet still violate standards of the business or profession. Violating these standards may affect your job security or any professional certification you may hold.
3. Who is affected, and how, by the action? If an action is legal and complies with business and professional standards, you must rely on your principles of right and wrong to determine if the action is ethical. Determining how the action affects individuals and groups—including business employees and owners, customers, the local community, and society—will help you decide if an action is ethical.

In the activity presented below, you will read about a person who overstated information on a résumé. Note how the three-step checklist, described above, was used to determine whether the individual demonstrated ethical behavior in preparing the résumé. A solution to the activity is included. The solution illustrates the use of the three-step checklist. (Note that the answers for future Business Ethics Activities will not be provided to you.)

Situation

Don Sutton applied for a payroll clerk job with Search Services, a market research firm. To improve his chances in getting the job, he exaggerated his work experience on his résumé. Based on this résumé, Don was hired. After one year, he received above-average ratings during his annual performance review. Shortly thereafter, his boss met Don’s former supervisor and learned the truth.

Instructions

Use the three-step checklist to help determine whether or not Don’s action demonstrated ethical behavior.

(Suggested answers are provided here.)

1. Is the action illegal? No. Overstating qualifications is not illegal, but the employer could terminate your employment.
2. Does the action violate company or professional standards? No. Don was neither an employee of the company nor a member of any profession.
3. Who is affected, and how, by the action? Don: He obtained employment, but now he could be terminated. If retained, he could have difficulty being promoted. Other applicants: More highly qualified applicants lost an opportunity for employment. Search Services: Managers may lose trust in employees.

Based on the above analysis, Don’s actions were unethical.

1. When Don exaggerated his experience on his résumé, do you think he believed he would be caught? What effect did this belief have on his behavior?
2. If you were Don’s employer, would you fire him? Why or why not?
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3. If you were another applicant for the job Don applied for, would you be tempted to do the same as Don? Why or why not?
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Who Owns My Time?

Employers and employees have a unique relationship. The employee agrees to provide the employer with a fair day’s work. In return, the employer agrees to provide a fair day’s wage.

Instructions

Use the three-step checklist to determine whether or not the following situations demonstrate ethical behavior.

Situation 1

Eva Torres is a receptionist for Media Technologies. After the company installed voice mail, Eva’s workload became lighter, so her supervisor assigned additional responsibilities, including some accounting tasks. Even with these assignments, Eva is not always busy. To fill the time, she plays computer games.

1. Is the action illegal?

2. Does the action violate company or professional standards?

3. Who is affected, and how, by the action?

Situation 2

At Cooks’ Corner, a kitchen equipment store, most employees work less than 40 hours per week. However, only employees who work a minimum of 40 hours per week are eligible for health insurance.
1. Is the action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Is This Really a Business Expense?

Kate Silverman owns a computer consulting business. Each year she must report the amount of revenue and expenses involved in operating the firm. She must pay federal income tax on the amount by which revenues exceed expenses.

Instructions

Use the three-step checklist to determine whether or not the following situations demonstrate ethical behavior.

Situation 1

Ms. Silverman often makes personal long-distance phone calls from her office. She charges these calls to the business account.

1. Is the action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Situation 2

Ms. Silverman hired her teenage daughter to work after school as an office assistant. Jackie comes in to the office every afternoon and earns $6.00 per hour. During this time, she does homework and telephones friends. Ms. Silverman knows that the business does not really need an assistant, but this is a good way for Jackie to earn spending money.
1. *Is the action illegal?*

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2. *Does the action violate company or professional standards?*

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3. *Who is affected, and how, by the action?*

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Is It Discrimination or Poor Judgment?

Info Tech provides market research for companies that sell products and services on the Internet. Your group at Info Tech has an opening for a research analyst. You are on the search committee to pick candidates to be interviewed. Committee members give the following reasons for wanting to eliminate various candidates.

- Candidate A: “She graduated from college before I was born. She can’t possibly know anything about our business.”
- Candidate B: “The ad said two to five years of experience, but we really need someone with more than two years of experience.”
- Candidate C: “This guy went to the same college I did. Let’s give him a shot.”

Instructions

Use the three-step checklist to determine whether or not the action demonstrates ethical behavior.

1. Is the action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Technology Temptations

Along with many benefits, technology also presents us with new temptations. Technology allows us to access information for many legitimate reasons, but it can also create ethical dilemmas. What do you think about the situations presented below?

Instructions
Use the three-step checklist to determine whether or not each of the following situations demonstrates ethical behavior.

Situation 1
Julie Powers collects overdue accounts for a large credit card company. She has access to records of all transactions for any customer. Julie sometimes looks up the records of famous people. She checks to see where they use their credit cards and how much money they spend. She sometimes tells her friends about the buying habits of entertainers and politicians.

1. Is the action illegal?
   
   
   
2. Does the action violate company or professional standards?
   
   
   
3. Who is affected, and how, by the action?
   
   
   
Situation 2
Howard Beckley works for a not-for-profit organization. Recently, he found a list of computer passwords near a photocopier. He started using these passwords to look at other employees’ e-mail files.

1. Is the action illegal?
Situation 3

Tomas Garcia is in college and works as a sales clerk in a bookstore. Occasionally, the scanner in the store is unable to read a bar code on a customer’s selection, and the clerk must enter the code using the keypad. Tomas sometimes makes mistakes when he enters the code. As long as the customer does not object, Tomas thinks it’s unnecessary to correct his mistakes.

1. Is the action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Is Anyone Listening?

The Berman Company enjoys a reputation as a good place to work. The company strives to provide quality services for clients.

Instructions

Use the three-step checklist to determine whether or not each of the following situations demonstrates ethical behavior.

Situation 1

Ina Radzik likes to be the first to know what’s going on in the office. One of the reasons she is so well informed is that she looks through the papers on other employees’ desks.

1. Is the action illegal?

2. Does the action violate company or professional standards?

3. Who is affected, and how, by the action?

Situation 2

To improve customer service quality, employees’ telephone calls are monitored. Monitoring is random and employees do not know when a quality manager is listening to a call. Customer service representative Luis Perez made a personal phone call while Steve Young was monitoring the line. During the call, Luis made plans for his weekend activities.

1. Is the action illegal?
2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Situation 3

Daniel Tong used his office computer to prepare his résumé and some cover letters. Daniel worked on these documents after hours and provided his own paper for printing. He later learned that his supervisor knew about his job search. The supervisor, Anna Vasko, found the computer files while looking for a report that Daniel had prepared.

1. Is Anna’s action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Community Involvement

Serena Lopez, a certified public accountant, is a member of the Franklin Heights zoning board. The board is reviewing a request to rezone a large section of property on the outskirts of town. The zone change would permit GreatGoods, a national discount retailer, to build a store. GreatGoods would feature clothing and shoes, housewares and linens, appliances and electronics, lumber and hardware, health and beauty products, and lawn and garden supplies. The plans also include a pharmacy and a vision care center.

Developers believe that GreatGoods would improve the community and offer citizens quality merchandise at significantly lower prices than they are now paying. Local land owners are worried about their ability to sell the property unless it is rezoned; this is the only large piece of undeveloped land in Franklin Heights. However, local retail store owners have expressed fears that a giant retailer will force them out of business. Other business owners have pointed out that the closing of retail stores in the central business district will have a negative impact on other businesses and the community at large.

Serena knows most of the people who have presented their side of this issue; some of them are clients of hers. Understanding the possible negative impact the new store could have on many of her firm’s small retail clients, Serena has decided to vote against the rezoning. In a three-to-two vote, the zoning board denies the rezoning request.

Instructions
Use the three-step checklist to determine whether or not Serena’s vote against the zoning change demonstrated ethical behavior.

1. Is the action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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At What Price Safety?

National Automotives assembles a safety system for passenger automobiles. This system substantially reduces severe injuries to drivers involved in accidents. In an effort to increase profits, National recently took steps to cut costs and increase production. National has begun using some less expensive components. These components increase the system’s estimated failure rate from 12 to 15 failures per 10,000 accidents. Despite this increase, the company continues to meet the government’s safety standard of 20 failures per 10,000 accidents.

Instructions

Use the three-step checklist to determine whether or not the action by National Automotives demonstrates ethical behavior.

1. Is the action illegal?

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2. Does the action violate company or professional standards?

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3. Who is affected, and how, by the action?

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Confidentiality

Certified public accountants routinely see and hear confidential information while providing professional services to clients. The AICPA Rules of the Code of Professional Conduct prohibit disclosure of confidential information without the specific consent of the client.

Mike Klein, who recently passed the Certified Public Accountant examination, had lunch with a friend from school. While talking about their jobs, Mike told his friend about working on an audit of a large local company. He shared information about the salaries and bonuses of the company officers.

Instructions

Use the three-step checklist to determine whether or not Mike Klein’s action demonstrates ethical behavior.

1. Is the action illegal?

2. Does the action violate company or professional standards?

3. Who is affected, and how, by the action?