

Moral Issues in Business

Chapter 10

Moral Choices Facing Employees

Obligations to the Firm

- Loyalty to the Company
 - Traditionally, an employee is obligated to act loyally and in good faith and to carry out all lawful instructions.
 - Companies may expect employees to defend the company in public, work overtime when the company needs it, accept a transfer for the good of the company.
- Conflicts of Interest
 - Conflicts arise when an employee has private interests that are substantial enough to interfere with their job duties.
 - Employees should not put their own interests above those of the company when doing company business.

Abuse of Official Position

- Insider Trading
 - The use of significant facts that have not yet been made public and are likely to affect stock prices.
 - The Securities and Exchange Commission (SEC) polices the stock market to insure honesty and promote investor confidence.
 - Insider trading allows those with privileged information to manipulate the stock market for personal gain, thereby causing potential harm to other stock holders who do not share the information.
- Proprietary Data
 - Patents and copyrights: legal devices to ensure that no one else may use the information for the life of the patent.
 - Pro: If a company pays to develop a process, it should be able to reap the benefits. This provides an incentive for new development of beneficial products.
 - Con: Patents violate the concept of a free market and keep prices high.
 - Trade secrets: information which gives an advantage to those who know it over those who do not.
 - Trade secrets are the intellectual property of the company
 - Theft of trade secrets is unfair competition
 - Employees who disclose trade secrets violate the confidentiality they owe their employers.

Bribes and Kickbacks

- A bribe is a payment for performing an act that is inconsistent with one's work contract or company expectations.
 - Bribes induce people to make decisions which may be contrary to the interests of their employer or stockholder or consumers or taxpayers.

- A kickback is a percentage payment to a person able to influence or control a source of income.
- The Case against Overseas Bribery
 - The Foreign Corrupt Practices Act (1977) provides fines and prison sentences for companies involved in bribing overseas officials.
 - When a company is engaged in bribery overseas, it may be more likely to condone such practices at home

Gifts and Entertainment: Questions to Consider

- Is the value of the gift substantial enough to influence a business decision?
- Is the purpose of the gift to advertise the company's product or to insure favorable or at least equal treatment?
- Is the gift given for no apparent reason or given and accepted secretly?
- Is the recipient in a position to benefit the giver?
- Does the gift fall within accepted business practice?
- Does it violate company policy for giver or receiver?
- Is the gift transaction a violation of the law?

Obligations to Third-Parties: Whistle Blowing

- Whistle blowing refers to an employee act of informing the public about the illegal or immoral behavior of an employer or organization.
 - Whether or not such an action is justified depends on the circumstances.
 - Justified: The whistle blower is motivated by the desire to expose unnecessary harm, violation of human rights, or conduct counter to the defined purpose of the organization.
 - Not justified: The whistle blower is motivated by a desire for attention or profit, or an enjoyment of stirring up trouble.
- Usually the whistle blower should exhaust all internal channels for dissent before going public.
- Sometimes this could result in dangerous delays or expose the whistle blower to retaliation.
- The whistle blower should have compelling evidence that wrong actions have been ordered or have occurred.
- The matters the whistle blower seeks to expose should be serious enough to warrant violating his or her obligation of loyalty to the company.
- The whistle blowing should have some chance of success.

The Question of Self-Interest: Prudential vs Moral Considerations

- Prudential refers to self-interest
- Moral refers to the interests of others
- Exaggerating the costs to ourselves of acting morally rather than prudentially may lead to rationalizing (justifying to ourselves) the harm we do to others.
- Should the law protect those who act in the interests of others for the common good? Otherwise, we may have to depend on the willingness of others to put the welfare of society above their own needs.
- Companies are under a moral obligation to encourage employees to report violations to management without fear of retribution.