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Business in the 21st century is moving farther and faster than ever before.

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The new global marketplace will bring with it a unique set of opportunities and challenges.

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How we face these challenges will define the business ethics for the new century.

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For increasingly, business problems are ethical problems.

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Sometimes the issue is kids' stuff, as when video designers find that increased sales means increased violence.

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Other times it's a matter of life or death, as when the demand for clean energy results in the near extinction of Northwest salmon.

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Or sometimes the issue will be overseas where third-world development ends up supporting worker exploitation.

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Some may view business and ethics as incompatible, a luxury businesses cannot afford.

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And yet the case for business ethics in the 21st century is a strong one.

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I think ethics is an approach towards decision making in which one tries to think about the moral principles that underlie decisions.

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In my experience, nine times out of 10, what happens is that people made a bad decision.

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They rushed it.

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They didn't see some of the consequences of what were going to happen and then down the road the consequences hit them and they say, oh, I just wish I had thought this thing through.

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Ethical dilemmas are different than moral temptations.

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Temptation is a clear case of right versus wrong.

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When we find a wallet lying in the street, there is no good or justifiable reason for taking it.

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It is tempting to pocket it and run but the right answer is to return it to its owner.

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The choice is clear, right versus wrong.

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With an ethical dilemma, the right choice is not so obvious.

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You have two acceptable alternatives, right versus right, a matter of ethics.

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In the business world, this might mean a choice between long range and short range goals, between loyalty to a coworker versus loyalty to the company, between the quest for profits and the need for public accountability.

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What we're doing and what we're testing frequently involves the safety of people's lives and so there's a higher principle.

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Northrop Grumman in Los Angeles designs, develops, and manufactures aircraft and electronic systems for military use.

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The competition in this industry is intense and the public accountability, strict.

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Here, business ethics is a high priority.

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After a while, it becomes clear that the rules don't cover every situation.

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There are a number of gray areas.

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So managers would frequently raise the issue as to, what do I do in this particular situation?

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Hi, Frank, do you have a minute?

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Yeah, sure, come on in.

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Someone who's a supplier to the company wants to give you a gift.

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And you have a business relationship but you also like the person and you want to seem polite and the question is, can you accept the gift?

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Essentially what our the company program policy is, is that we don't accept anything from suppliers.

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It sends the message to people that there is this resource out there and that we are interested in listening and in hearing what your concerns are.

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Hello, you've reached the corporate open line.

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This is Frank Daly.

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So, let me ask you, does anyone else know about this that you know of-- Frequently people who call the open line to report something are very nervous.

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They want to get what they say out quickly and get off the line quickly.

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So it's really important for us, I think, when we talk to them to reassure them.

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Because it may be something that they've carried for a while and haven't known what to do with.

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So it isn't a question that we're operating a policing function.

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We're rather trying to encourage the vast majority of our employees who bring good values to work every day to follow them in the workplace.

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When you're faced with an ethical dilemma, especially a difficult one, one of the things that you have to do is to engage in a fair amount of systematic analysis.

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Here at Loyola Marymount University in Los Angeles, students participate in an annual team competition that explores key issues in business ethics.

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This team is arguing the case against doing business in China.

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Their job is to understand the legal, the financial, and the ethical dimensions of the case and to propose a solution which makes sense legally, financially, and ethically.

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Because those are the demands in the real world.

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We have a number of teams and the judges then evaluate how the teams do.

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And we have cash prizes for the winning teams.

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It gives them a little more realistic understanding of what it is that will be expected of them.

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So that on the job, they aren't going to make some mistakes that really could be career enders.

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So I've worked for a number of years in accounting and I've seen very unethical behavior.

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I've left jobs because of and I refused to do them.

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It's up to us to choose to make the right decision and stick to our guns.

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I'm glad that I'm going to be entering the workforce with a lot of other students from this university that have been through a curriculum that stresses ethical analysis of situations.

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It's very hard to think through these moral issues and cope with them on your own.

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You really need to be able to engage in dialogue and develop a sense of community with other people and talk to them about these issues, talk to them about dilemmas, the alternatives.

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And at the end of the day, hopefully that discussion will result in a more informed decision.

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I think for many students who haven't thought about these issues it's a really eye-opening experience.

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And they become quite engaged in the process.

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They become persuaded that these issues are important and that they need to think about them as managers.

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And that's really, I think, where the payoff lies.

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The value of studying ethics in business school is that what it does is that it highlights for business school students that the impacts of their decisions not only affect their bottom line, but rather it shows them what the social and environmental implications are of those decisions, that business school students and everyone in society will be increasingly dealing with them and thinking about them in years to come.

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There are two classic and contrasting resolution principles you can use to evaluate ethical dilemmas.

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One is ends based, the other, rules based.

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These two very different approaches were articulated by two very different individuals.

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Nineteenth century English philosopher John Stuart Mill was also a businessman.

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His ends based approach went for practical results.

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Mill believed ethical decision should be made on a cost/benefit basis, the greatest good for the greatest number.

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German philosopher Immanuel Kant believe how we act is more important than what we achieve.

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In his critique of pure reason, he emphasizes absolute standards that outweigh practical results.

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This rules based approach says that we all have principles that should not be sacrificed, that ends don't justify means.

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To make an ethical business decision often requires an examination of both ends and means.

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Just because something produces more people getting helped than hurt doesn't mean that the action itself is right and wrong, is it the case where someone's being manipulated?

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Is there lying going on?

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Is there cheating?

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Is there something questionable about that?

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I think that's the critical issue in business ethics is figuring out when it's appropriate to weigh the interests of various stakeholders, and be bound by the overall cost and benefits.

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And when one says, this is an issue which strikes to a core principle and value which I share, my company shares, my culture shares, my religion shares, and this is a principle which brooks no compromise.

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Addressing an ethical dilemma can begin with three simple steps.

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First, identify the problem.

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Is this an issue of right versus right, or right versus wrong?

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A temptation or a dilemma?

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Then, identify the stakeholders.

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Who is effected?

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And to what degree is each effected?

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And finally, identify alternatives.

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Often finding the right answer means involving the effected parties.

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Companies used to be private entities but large companies, for example, are institutions that have impact on a lot of people.

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What we generally calls stakeholders are the shareholders and we have an obligation to them.

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We have an obligation to our employees, to our customers, to our suppliers, because all of these people are effected by decisions that are made and to the communities in which we work.

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So there is, many times, competing interests.

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In a global marketplace, not only is it increasingly difficult to determine stakeholders, it's increasingly difficult to establish communal values, especially when your community is the world itself.

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At Northrop Grumman, workers were asked to devise their own list of core values.

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We had 2,000 people across the corporation involved in focus groups and we asked them two questions.

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What are the important values that you bring to work every day?

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And, how would you like your company to be known?

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And with all of the data and all the responses that we get back from that, they converged on six themes actually, fairness, honesty, integrity, respect for others, are kinds of thing that we share where ever we go across the globe.

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It's of course true that there are cultural differences and that in some countries other than the United States, for example, it's a perk or a benefit you get that one of your siblings or member of your family automatically gets a job in the company that you're working in, which offends the sense in the United States of equal opportunity, et cetera.

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But that's a cultural thing.

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It's not necessarily an ethical thing.

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And I think when push comes to shove, there is a common agreement everywhere about some basic values even though the conditions of implementation may be very different.

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We certainly have all kinds of training classes.

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We have electronic training.

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We have brochures, and pamphlets, and books that we print for employees.

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In some areas, we have computer based training where folks can go to a computer terminal and sit down and interactively learn, for example, about the Foreign Corrupt Practices Act, of the Truth in Negotiations Act, or about time and labor charging, or export control, or any of those subjects that they need to know about.

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New issues are going to be coming up all the time.

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The internet, the explosion of the internet, especially as it relates to privacy matters is going to continue to be very important, the gathering of information, the selling of information on customers.

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Biotechnology is another area where the progress has been explosive in the last decade, genetic engineering, cloning, genetic manipulation of foods.

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A couple of supermarket chains recently said they are not going to be selling food that has any genetic manipulation.

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Technology as it applies to food.

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I think another area that we're going to see some interesting and very important areas have to do with the relationship between humans and non-humans.

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As scientific research, for example on dolphins, or elephants, or primates, has been going along, we're discovering that they are more like us than we had thought, that they have a greater amount of intellectual and emotional sophistication.

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And that means and they probably deserve more consideration than we've been giving them.

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You ask the question about does ethics pay.

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I believe it does, obviously.

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And in the short term, there may be instances where it doesn't.

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But in the long term, profit then becomes not so much the fact that you won on the single transaction, but the fact is that someone continues to put a value on what you do for them for the longer term.

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Companies that respect their employees, respect their customers, respect one another are seen as positive forces in their environment.

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Those are the companies that the best people want to work for.

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And those are the companies that customers want to do business with.

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And most people, over the long term, will in fact even pay more for a product or in some cases work under more difficult conditions because they're working for a company that they can believe in and they're doing business with other people whom they also believe in.

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So one of the real benefits of ethics, and this is one of the things that I try to convince my students of regularly, is that there are tangible benefits in how clearly we perceive problems.

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And then once we decide what the right thing to do is, we get more comfortable with our decision and we make better decisions because there are fewer surprises that are going to come down the road.

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Business ethics can make a difference in the workplace.

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So, stop and think and make your own decisions using business ethics.

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It is a profitable way to go, no matter how you add it up.

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