

LESSON 16: BUSINESS ETHICS

Focus Question: How important a role should ethics play in running a business?

Objectives

Students will be able to:

- Discuss some of the recent ethics scandals involving U.S. companies.
- Analyze suggestions for creating a more ethical business environment.
- Examine an existing code of ethics adopted by one business.
- Propose a model code of ethics for their VE firm.

Standards

NES: 4

ELA: 1,2,3

Materials

Have students read three “white papers” of their choice on this web site:

http://www.bsr.org/BSRResources/WhitePapers_IssueArea.cfm

Teaching Strategies

Introduction:

- As homework prior to this lesson, distribute Worksheet 16A, “What Would You Do?” As part of the introductory discussion to this lesson, have students explain their answers to the following:
 - How did you answer these questions?
 - To what extent would actual businesspeople answer these questions the same way?
 - How concerned should we be about the ethics of American businesspeople as a whole?
 - What issues do these questions raise for discussion?

Body of lesson:

- Distribute Worksheet 16B, “Business Scandals.” Have students explain their answers to the following:
 - What do we learn about business ethics from these newspaper stories?
 - What is your reaction to these stories?
 - How can explain these unethical actions on the part of business people?
 - To what extent is the lack of business ethics reported in these stories typical of the way most business people act?
- Distribute Worksheet 16C, “Rebuilding Company Ethics: A Five-Point Agenda.” Have students explain their answers to the following:
 - What are some of the ideas expressed by the author about how to make companies behave more ethically?
 - What’s your reaction to his ideas?
 - With which do you agree most?
 - How would you as the leader of a corporation react to this article?
 - What are some of the suggestions you gave as to how to incorporate the ideas in this article into your VE firm?
- Distribute Worksheet 16D, “United Technologies Corporation -- Corporate Principles.” Have students complete the exercise on the worksheet. Then, as part of the whole-class discussion, have them explain their answers to the following:
 - What’s your reaction to this code of ethical principles?
 - Which of these is most important?
 - Which of these principles is most difficult to implement?
 - How should those who violate corporate ethics codes be punished?

Summary/Assessment:

Divide the class into groups of four. Give each group at least two weeks to create its own code of ethics, with at least five principles. Then have each group make a presentation to the class; then, have the class vote to select one code for the VE firm.

Worksheet 16A

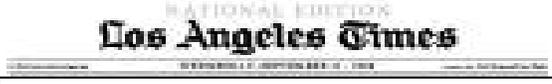
What Would You Do?

Exercise. Tell whether you agree with the three statements below as members of your VE leadership team by placing an "X" in one of the three boxes to the right. Explain your answer below, discussing how you believe most people who run actual businesses would respond.

Questions	Agree	Disagree	Not Sure
1. In setting prices, your major concern should be maximizing profits or keeping the product affordable for customers who need it badly.			
Explanation:			
2. Is it better to exaggerate the quality of your product rather than lose a sale.			
Explanation:			
3. In paying taxes, you should pay exactly what you are supposed to rather than trying to get away with whatever you can.			
Explanation:			

Worksheet 16B

Business Scandals

 <p>MARTHA STEWART ACCUSED OF SELLING STOCK BASED ON INSIDE INFORMATION</p> <p>Martha Stewart, head of the home-design empire, may be in serious trouble. She is charged with a major violation of Security Exchange Commission regulations. There are rumors that a broker will provide testimony that may show Ms. Stewart acted on inside information when she sold nearly 4,000 shares of ImClone Systems Inc. last Dec. 27, the day before the Food and Drug Administration said it would not approve ImClone's promising colon cancer drug.</p>	 <p>SPECIAL EDITION</p> <p>S A N F R A N C I S C O</p> <p>The Examiner.</p> <p>Wednesday September 12, 2001 Keeping San Francisco a newspaper town. Circulation 25 cents</p> <p>WorldCom Admits Fraud</p> <p>The telecommunications giant, WorldCom, has admitted orchestrating one of the largest accounting frauds in history. The company admitted that it had inflated its profits by \$3.8 billion between January 2001 and March 2002</p>
 <p>SPECIAL REPORT</p> <p>The Birmingham News</p> <p>ADELPHIA LIED ABOUT PROFITS, SUBSCRIBERS</p> <p>Adelphia Communications the sixth-largest cable television operator in America, filed for bankruptcy on June 25. The company has restated its profits for the past two years and admitted that it didn't have as many cable television subscribers as it claimed.</p>	 <p>NATIONAL EDITION</p> <p>Los Angeles Times</p> <p>ENRON, ENERGY GIANT OUT-OF BUSINESS</p> <p>Today, an important chapter of the Enron scandal ended as the energy giant went out of business. Enron officials have been charged with devising various schemes to hide Enron's losses, fearing such news would cause their precious stock prices to plummet. Instead of coming clean and reporting its shortcomings, Enron repeatedly expanded into new markets in attempt to sweep earlier ruinous transactions under the rug.</p>

Worksheet 16C

Rebuilding Company Ethics: A Five-Point Agenda

Exercise. Read the article below and respond to the memo that follows.

To build an ethical, excellent business enterprise successfully, serious attention must be given to five interrelated principles:

1. Motivation

To build an ethical enterprise, everyone, from the Board of Directors through executive management to employees at all levels, must understand and embrace the belief that: 1) we must take ethics very seriously 2) there are substantial costs of ethical neglect and 3) there are important benefits of sound ethics.

2. Mission

Each company needs an inspiring and shared mission that can mobilize people toward ethics and excellence. Ethical values and principles must be understood as integral aspects of all strategies and plans to achieve the company mission.

3. Culture

Culture refers to the characteristic traits, habits, and customs that define the organization. In each firm there must be a healthy "value-embedded culture." Without such a culture, ethical decisions and practices are endangered. Just as a physically weak, out-of-shape sports team cannot successfully carry out even the most brilliantly conceived set of plays, so an ethically weak company culture cannot live up to its stated principles and its code of ethics.

4. Practices

When a company has addressed its motivation, mission, and culture, it is time to ask what the company actually "does." What are the basic practices of the company? What are the primary activities, behaviors, and processes undertaken as the company pursues its mission? Here is where companies need action-guiding rules and principles—often stated in the form of a code of ethics. When principles have a nice "fit" with basic business practices and activities, they are not viewed as a set of rules telling us what we cannot do but rather as a "set of plays helping us get into the end zone."

5. Dilemmas

Even in the best of circumstances, hard cases and crises in business are going to arise. An exclusive emphasis on crisis-resolution, "damage-control" ethics is a mistake because it allows negative challenges and crises to set the ethics agenda and fails to move upstream to deal with the sources of these challenges. Nevertheless, ethical dilemmas and challenges are inescapable and ethically healthy companies must put in place a ready, effective trouble-shooting and crisis-resolution method.

Adapted from <http://www.ethix.org/ethics.html>. Permission pending.

M E M O R A N D U M

To: All VE Employees

From: Board of Directors

Subject: Business Ethics

On a separate sheet of paper, please comment on this article about business ethics. How can we incorporate these ideas into our VE firm?

Worksheet 16D

United Technologies Corporation — Corporate Principles

Exercise. Read this statement of corporate principles. Write the letters MI in front of the principle that you believe is most important and a MD in front of the one most difficult to put into place.

United Technologies is committed to the highest standards of ethics and business conduct. This encompasses our relationship with our customers, our suppliers, our shareowners, our competitors, the communities in which we operate, and with each other as employees at every organizational level. These commitments and the responsibilities they entail are summarized here.

_____ **1) Our Customers:**

Our primary responsibility is to those who use our products and services. We are committed to providing high quality and value, fair prices and honest transactions. We will deal both lawfully and ethically with all our customers.

_____ **2) Our Employees:**

We are committed to treating one another fairly and to maintaining employment practices based on equal opportunity for all employees. We will respect each other's privacy and treat each other with dignity and respect irrespective of age, race, color, sex, religion, or nationality. We are committed to providing safe and healthy working conditions and an atmosphere of open communication for all our employees.

_____ **3) Our Suppliers:**

We are committed to dealing fairly with our suppliers. We will emphasize fair competition, without discrimination or deception, in a manner consistent with long-lasting business relationships.

_____ **4) Our Shareowners:**

We are committed to providing a superior return to our shareowners and to protecting and improving the value of their investment through the prudent utilization of corporate resources and by observing the highest standards of legal and ethical conduct in all our business dealings.

_____ **5) Our Competitors:**

We are committed to competing vigorously and fairly for business and to basing our efforts solely on the merits of our competitive offerings.

_____ **6) Our Communities:**

We are committed to being a responsible corporate citizen of the worldwide communities in which we reside. We will abide by all national and local laws, and we will strive to improve the well-being of our communities through the encouragement of employee participation in civic affairs and through corporate philanthropy.

<http://www.bsr.org/BSRResources/WhitePaperDetail.cfm?DocumentID=270>. Permission pending.