

Am I Messing It Up

Frequent Ethical Issues in Business

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Business is a very important element of human societies, contributing with efficient and innovative solutions of human needs, creating and distributing economic value. Moreover, many people work in business in different positions and functions, where they (can) serve the needs of others and society, enter into professional and personal relationships, learn and grow individually. In a word, business is in itself good, an honest profession.

However, like in any other human activity, managing business offers many chances to misbehave. Besides common features of human action, business is a demanding and technically complex environment, driven by strong incentives, that are sometimes misleading. Business is a sphere of society shaped by its own culture and social norms, sometimes at odds with moral principles, legal norms and social demands. The allure of success, money, innovation, social recognition, etc. – or simply the pressing needs of making a living – might distort judgement.

This note explores common business ethics issues, organized by business function. Its purpose is to help any person to identify the typical problems that arise in her workplace, and understand the need to avoid them. For people in positions of top management, this note is also helpful to understand the issues that other colleagues, employees, suppliers, etc., might encounter.

Unethical practices are problematic at many levels: legal, reputational, commercial, etc. These misconducts damage society very directly but also the business itself. The note briefly points at the main trouble arising from malpractices. However, overall, we must keep in mind that ethics is not just a means to a further and more important end (say, business success), but the definitive dimension of human action, including business decision making.

This note does not go further into presenting solutions, which we will discuss in class. Note that the root cause of bad practices is not always the same, and therefore solutions vary from case to case. Certainly having good formal rules (laws, codes, etc.) is helpful, but is not always the most important part of the solution. The reader can find a thorough and illuminating review of all major topics in business ethics in the handbook by Domenec Melé, *Business Ethics in Action*, (Palgrave, 2nd edition).

This technical note was prepared by Tomas Pilakis, external collaborator, under the supervision of Ricardo Calleja, lecturer. September 2021.

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What if I find that there is something wrong in my past, present or coming future? Do not panic, but also do not *rationalize* your behavior and/or the usual patterns in your industry. Take the course seriously, talk to the instructor or other experienced people. It might not be easy, but you can always start again, undoing the damage caused if necessary.

I. People in Organizations

Companies face the challenge of promoting human-centered approaches in their organization while also having to lead while practicing justice and care and fostering people's development. It is therefore crucial to take responsibility for managing and motivating people in the workplace; emphasizing people is a key. In other words, it is important to make people capable of collective performance and to make their strengths effective and their weaknesses irrelevant. A basic requirement is respect, along with cultivating – in the company – empathy, sympathy, and emotional intelligence.

1. Corrupt Environment

Contributing to corruption, in the form of bribery and extortion, causes a culture of corruption to spread. It encourages people to participate in underhand dealings; this works against the common good and legality, which requires a respect for rules. A number of international legal measures against corruption have been established. In addition, each individual corporation can efficiently prevent it. Possible company solutions include fostering a culture of honesty and transparency and establishing codes of conduct and international best practices, etc.

2. Violence in the Workplace

Violence at work is not only disrespectful but is also a criminal offense. Usually, violence comes in the form of simple assault, but psychological violence must also be considered (e.g., workplace mobbing and emotional abuse). These acts of violence are recognized under a specific category of crime that calls for certain responses from employers, the law, and workplace communities.

3. Sexual Harassment, Mobbing, Bullying

Sexual harassment involves unwelcome sexual advances that cause discomfort to employees, including request of sexual favors which may follow with a threat. Mobbing can be defined as the use of physical or psychological harm by superiors towards subordinates or employees on the same level, resulting in action that leads to further degradation of job conditions, etc. Any form of sexual harassment is not only disrespectful; it is also an abuse of power that explicitly or implicitly affects an individual's employment.

4. Remuneration and General Working Conditions

Human work should be dignified, and remuneration should be sufficient to acquiring what is necessary to cover the expenses of each person, while also taking into account his or her skills. A "living wage" refers to the amount of money that a full-time employee needs to afford the basic necessities of life. Consequences for neglecting this part of employee benefits could lead to strike, which could freeze the company's production. Moreover, people will not be willing to join organizations that are not sensitive to remuneration policies.



5. Work-Family-Life Balance

The problem of limiting working hours has long been under debate. During the nineteenth century, a movement was formed demanding balanced working conditions for all workers. The slogan created by the Robert Owen of the movement was: “eight hours labor, eight hours recreation, eight hours rest.” Legislation regulating workers’ rights and limitations on working hours have since emerged. These includes rights like getting paid on time and ensuring workers’ rights to health benefits, annual vacation, and adequate weekly time off. Exclusively focusing on profit can cause workers’ strikes and severe financial losses for the company; it can also make personal fulfillment more challenging.

6. Discrimination, Diversity, and Favoritism

Problems can arise in hiring and firing and in promotion, advancement, and training opportunities. Managers are often involved in problems with distributive justice, which requires equality – i.e., treating people without unfair discrimination. Moreover, favoritism practices like hiring or granting positions within the enterprise due to personal preferences instead of the fulfillment of the requested qualifications should be avoided. Possible unacceptable forms of discrimination in businesses include those based on ethnicity and race; sex or gender; family; religion; political views.

7. Health Issues in the Workplace

Hazardous substances, such as asbestos, cotton dust, heavy metal, gases, solvents, and certain chemicals can cause illness and other health related conditions. Companies that have their employees work with hazardous materials may be violating workers’ rights, especially if they falsely claim that their workers voluntarily assumed the risk of the company’s practices. What is more, companies bear the risk for their employees if they have not been trained and instructed on how to work properly in order to protect their own health.

8. Corporate Culture and Working Atmosphere

People management is responsible for outlining responsibilities with an ethical content in order for employees to carry out daily tasks and operations. These ethical responsibilities may include: acting with loyalty to the company; acting with diligence; fostering efficiency with an ethical understanding of the particular organization; and negotiating with circumspection and fairness. Neglecting these responsibilities may cause harm in the daily work of planning activities, accomplishing the organization’s goals, coordinating and monitoring results, and taking corrective action if needed.

9. Whistleblowing

Whistleblowing is the reporting of an organization’s unethical practice by current or former employees, either within the organization or publicly. Wrongdoing can result from corrupt practices, food adulteration, and health or safety violations. The practice of reporting wrongdoing may lead to negative effects for the whistleblower, such as personal inconvenience, risk of retaliation against them, and loss of reputation. Whistleblowing has ethical justifications in terms of the moral duty to prevent wrongdoing and to contribute to the common good.