The Concise Encyclopedia of Business Ethics

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Introduction

Introduction

The authors' aim in writing *The Concise Encyclopedia of Business Ethics* (CEBE) was to provide readers with a useful, concise overview of key issues in business ethics. Our aim is not to be exhaustive, but to provide key definitions, main areas of controversy, and pointers for further reading. It is hoped that it will provide a useful reference guide for students, as well as a starting point for scholars in adjacent fields. Our commitment to sticking to what we consider to be essential topics inevitably means that some readers will find that we have left out what they take to be important topics. For the most part, we stand by our editorial choices. However, as a digital document, it is possible that the CEBE will change and grow slightly over the coming years. Readers are free to provide feedback and suggestions by emailing the authors jointly at editors@bejr.org

Agency

Agency is a contractual relationship between two parties, in which one party – the *agent* – is empowered to act, to make certain decisions, and to make legally-binding agreements on behalf of another party – the *principal* – subject to the principal's control. Agents are duty-bound at law to act as fiduciaries for their principals. Agency relationships are ubiquitous features of business because they permit both individuals and companies to conduct business and enter into contractual relationships in many different places at the same time. One powerful way to think of a company or a firm is as a web of agency relationships.

Agency is an important concept in business ethics for a number of reasons. First, agency relationships are frequent sources of conflicts of interest. For example, an agent offered a bribe by a third party to bind the agent's principal to that third party faces a conflict between her interest in securing payment from the third party and satisfying her duty to act in the best interests of her principal. (In the economics literature, this is referred to as the "agency problem.") Second, there is sometimes a gap between an agent's *actual* authority (as granted by the principal) and the agent's *apparent* authority in the eyes of the third parties with whom she deals on the principal's behalf. Agents may accidentally or intentionally exceed their authority and bind principals to contractual relationships outside their actual authority. Third, because they are fiduciaries, agents are supposed to exercise their authority *partially*—in favor of their principals. Acting ethically as an agent is less like being a neutral and impartial judge between the principal and third parties and more like being an advocate of the principal's interests.

See also in CEBE:

- Conflict of interest

- Fiduciary

Further Reading:

- Joseph Heath, "The Uses and Abuses of Agency Theory." *Business Ethics Quarterly*, Volume 19, Issue 4, October 2009.
- John Winsor Pratt and Richard Zeckhauser, eds., *Principals and Agents: The Structure of Business* (Harvard Business School Press, 1985).
- Law of agency (Wikipedia entry).

Business Ethics

Business ethics can be defined as the critical, structured examination of how people and institutions should behave in the world of commerce. It is a *critical* discipline in that it is interested in determining what ethical standards are best and most well-justified, rather than in cataloging the views that people actually happen to have. It is a *structured* pursuit in that it involves providing reasoned arguments, rather than simply stating opinions or feelings, about particular issues. In particular, it involves examining appropriate constraints on the pursuit of self-interest, or (for companies) of profit, when the actions of individuals or companies affect others.

In practical settings, **business ethics** may be thought of, rather than as a topic of intellectual inquiry, as a name for proper behaviour in the world of commerce. In this sense, we might say informally, for example, that a company has "good business ethics," or that "business ethics requires that a company do such-and-such."

In many contexts, terms such as CSR, corporate citizenship, or even sustainability, may be used equivalently to "business ethics." Whether these are reasonably synonymous is a matter of controversy.

See also in CEBE:

- Corporate Social Responsibility

Further Reading:

- Chris MacDonald, "Doing the Right Thing: A Brief Guide to the Jargon", July 7, 2011 (The Business Ethics Blog)
- George G. Brenkert and Tom L. Beauchamp, eds., *Oxford Handbook of Business Ethics* (OUP, 2009)

Business Ethics Education

Formal education in business ethics takes place in three key venues. First, many universities offer courses in business ethics through their philosophy departments, where they have been offered for decades, a result of the fact that ethics more generally has been a philosophical discipline for over 2,000 years.

Second, business ethics courses appear regularly in universities' business schools. The growth and pervasiveness of business education on university campuses makes this perhaps the principal venue for receiving for-credit instruction in business ethics. Approaches to teaching business ethics in business schools vary considerably. Some instructors may focus on teaching and applying ethical theories. Others may focus on examining case studies, opting to use real (or realistic) cases to highlight relevant ethical tensions and concepts. Still others may take an issues-based approach, featuring lessons on topics such as 'ethics in finance,' 'ethics in human resources,' 'ethics in advertising,' and so on. A central debate within business schools is whether business ethics should be a stand-alone, required course for business students, or instead a topic woven into many or all courses in the business curriculum (the 'ethics across the curriculum' approach).

Third, many companies today pursue substantial in-house ethics education and training programs. These may be led by corporate compliance officers or outsourced to university business ethics faculty on a contractual basis.

See also in CEBE:

- Business Ethics

Further Reading:

- Mary Gentile, *Giving Voice to Values: How to Speak Your Mind When You Know What's Right.* Yale University Press, 2010

- John Hasnas, “Teaching Business Ethics: The Principles Approach,” *Journal of Business Ethics Education*, Vol. 10 (2013)
- Gregory Wolcott, “Business Ethics and Ideals” *Business Ethics Journal Review*, 2(6)(2014): 36–41.

Business Ethics Journals

The field of business ethics has advanced to the point at which there are a number of very good peer-reviewed scholarly journals in the field. *Journal of Business Ethics* is perhaps the dominant journal in business ethics. It is very widely read, and is on the Financial Times' FT 50 list, which gives the journal credibility in particular among business scholars and business school deans. *Business Ethics Quarterly* (the official journal of the Society for Business Ethics) is arguably the most admired journal from a scholarly, philosophical point of view.

- Other respected journals in the field include:
  Business and Society
  Business Ethics: a European Review
  Journal of Markets and Morality
  Business & Society Review
  Business and Professional Ethics Journal
  Journal of Business Ethics Education
  Business Ethics Journal Review

Note: this is not an exhaustive list. There are many other journals that are either dedicated to publishing, or occasionally publish, scholarly work on business ethics and related fields. For example, beyond journals dedicated fully to the study of business ethics, work on business ethics is also sometimes published in philosophy journals, in management journals, and in special-topic journals such as journals related to environmental ethics or accounting ethics.

Further Reading

- Albrecht, C., Thompson, J. A., Hoopes, J. L., and Rodrigo, P. (2010). Business ethics journal rankings as perceived by business ethics scholars. *Journal of Business Ethics*, 95(2), 227–237.

Capitalism

Capitalism is an economic system that can be summed up roughly by the intersection of three practices. The first is the holding of private property, and the right to keep whatever profit that property generates. The second is the practice of distributing goods through a process of voluntary exchange, in more or less free markets. The third is the idea that production within the economic system is reflective of demand: what goods or services are produced, and in what quantity, is in some way a function of what the purchasing public wants, rather than (for example) of what a ruler or government agency decides should be produced.

The key ethical debate regarding capitalism concerns whether it is fundamentally ethical or unethical. One view holds that capitalism is fundamentally unethical. Critics have argued that capitalism has an inherent tendency to generate great wealth for some people while leaving others much less well off. Critics also point to the particular unethical behaviours that private enterprise, and in particular the profit motive, tends to produce.

Often, critics who claim to be critics of capitalism itself are in fact criticizing particular unethical practices that may occur within a capitalist system, but that are not in fact part of capitalism itself. Critics typically also fail to suggest any real alternative to capitalism.

Another view holds that capitalism is generally ethically good. Proponents of this view point out that capitalism is driven by free choices (e.g., what kind of work to do, what kinds of things to buy), and the ability to make free choices is good. They also point out that capitalism has a very strong tendency to generate wealth and to increase human well-being. But sometimes, those who argue in favour of capitalism argue on the basis of how capitalism ideally "ought" to work, in a perfect world, and ignore or minimize the way the system works in the real world.

See also in CEBE:

- Globalization

Further Reading:

- Adam Smith, *The Wealth of Nations*. 1776.
- John Micklethwait and Adrian Wooldridge. *The Company*: A *Short History of a Revolutionary Idea*. Modern Library, 2005.

Codes of Ethics

In a business context, a **code of ethics** is a policy published by a company or other organization to guide the ethical decision-making of its employees or members. It is typically a formal, written document laying out the ethical expectations that a company has of its employees, and setting out rules and guidelines for behaviour. A code of ethics is one of several kinds of documents designed to provide high-level guidance for employees. These include documents such as the vision statement, mission statement, or the values statement. Codes of ethics are sometimes known as codes of conduct.

Codes of ethics vary considerably. Some are very brief (sometimes just a single page) while others may be 60 pages or more. Some codes are aspirational, setting high objectives for ethical behaviour for employees to aim at, while others focus on setting out strict rules and explaining the punishments resulting from violating those rules. Some codes include both an aspirational introduction *and* a set of strict rules.

Most major corporations now have codes of ethics. In some cases, they create a code of ethics as part of their overall approach to regulatory compliance. While ethics and compliance are not the same thing, there is some overlap: many unethical behaviours are also illegal, and some unethical behaviours *may lead to* illegal ones.

In some instances, a code of ethics may also function as a kind of *public promise*. By publishing a code of ethics, a company signals to external stakeholders the kind of behaviour it expects from its employees. This will often have implications for the ways in which those stakeholders can expect to be treated when they interact with the company.

It has often been pointed out that simply having a code of ethics accomplishes little. In order for it to guide behaviour, employees need to be aware of their code and its details. Many companies

today engage in sophisticated training programs to help their employees understand and learn to apply their codes.

See also in CEBE:

- Compliance

Further Reading

- Patrick E. Murphy, Eighty Exemplary Ethics Statements, University of Notre Dame Press, 1997.
- The Center for the Study of Ethics in the Professions at the Illinois Institute of Technology hosts a large collection of codes of ethics.

Compliance

In business ethics contexts, **compliance** generally refers to a company's or a business person's conformity with relevant laws and regulations—that is, following the rules set out by government. In its slightly broader sense, a focus on compliance may also imply a focus on adherence by employees on the organization's own internal rules.

Many large businesses today have entire compliance departments, typically consisting of a special team of lawyers (and others) whose job it is to make sure that the company remains in conformity with the laws and regulations applying to its activities. Given the very wide range of laws and regulations to which modern businesses are subject, this can be a very substantial task. Big companies regularly engage in compliance training, which both expose employees to the relevant laws and regulations to which the company is subject and the practices and procedures for conforming to them in the performance of their duties.

Compliance and the means by which companies seek to ensure it give rise to interesting issues of corporate culture. One worry is that a corporate culture emphasizing compliance is or may become a legalistic culture—one emphasizing being (barely) on the right side of the law. Legalistic cultures may be corrosive of creating or maintaining a values-based corporate culture—one in which a company's norms and practices reflect a commitment to ethical values greater than merely avoiding legal liability or punishment. The converse worry is that a corporate culture emphasizing ethical values may find employees engaging in well meaning activity that may inadvertently expose the company to legal liability or punishment for failing to observe the often arcane, technical requirements of the law. Thus, finding and maintaining the right balance of commitment to legal compliance and to ethical values is an ongoing challenge of corporate culture.

See also in CEBE:

- Corporate Culture
- Law

Further Reading

- Scott Killingsworth, “Modeling the Message: Communicating Compliance Through Organizational Values and Culture”, *Georgetown Journal of Legal Ethics*, Vol. 25, No. 4, 2012.

Conflict of Interest

A **conflict of interest** is a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties as, say, a public official, an employee, or a professional. For example, imagine your boss asks you to sort through a large pile of job applicant resumés, and pick the three best applicants to interview. If your sister is one of the applicants, you are in a conflict of interest. You have an official duty to do — namely, to select the best applicants. But you also likely have a bias in favour of your sister; you probably want to see her get the job. So it is reasonable to expect that your judgment will be influenced in her favour, *even if* you do your very best to be fair and impartial.

Conflict of interest is ethically important for two reasons. First, a person who is in a conflict of interest may not be able to exercise his or her duties in an objective, professional manner. In spite of his or her best intentions, his or her judgment may be biased in a way that leads to giving bad advice or making a bad decision. Just as importantly, if a conflict of interest is not dealt with properly, it can lead to a loss of faith in an entire decision-making process, and ultimately to a loss of faith in an entire organization.

It is important to see that conflict of interest is not an accusation, but rather a situation in which an individual may find him or herself. Many people get this wrong, especially when discussing conflict of interest in the public sphere. It is common, for example, for politicians to accuse each other of conflict of interest. But there is nothing unethical about *being* in a conflict of interest. Being in a conflict of interest can happen to you through no fault of your own. The crucial question, ethically, is how an individual *handles* being in a conflict of interest. To be in a conflict of interest is not unethical; but failure to do the right thing when in a conflict of interest can be.

The standard ethical advice with regard to conflict of interest is

that you should avoid conflicts of interest when you can. When you cannot avoid them you should disclose the conflict to interested parties, so that they can adjust their own behaviour accordingly; and if possible remove yourself from the decision-making process.

See also in CEBE:

- Agency
- Corruption

Further Reading:

- John Boatright, "Conflict of Interest," in Robert W. Kolb, ed., *Encyclopedia of Business Ethics and Society*. Sage Publications, 2007.
- Daylian M. Cain, George Loewenstein, and Don A. Moore, "The Dirt on Coming Clean: Perverse Effects of Disclosing Conflicts of Interest," *Journal of Legal Studies*, vol. 34 (January 2005)
- Michael Davis and Andrew Stark, *Conflict of Interest in the Professions*, (OUP, 2001)
- Chris MacDonald and Wayne Norman, "Conflict of Interest" *Oxford Handbook of Business Ethics* (OUP, 2009)
- Chris MacDonald, Michael McDonald, and Wayne Norman, "Charitable Conflicts of Interest," *Journal of Business Ethics* 39:1-2, 67-74, Aug. 2002. https://doi.org/10.1023/A:1016379900781

Corporate Citizenship

The term **corporate citizenship** is used in different ways by different people. In many instances, the term "corporate citizenship" is used as a synonym for corporate social responsibility, as a way of describing a corporation's obligations to society overall. Some scholars (such as Norman and Néron) have suggested that it may be appropriate to take the "citizenship" part more seriously, and to reserve the term "corporate citizenship" for use in discussing a corporation's legal and political responsibilities.

The notion of corporate citizenship is *attractive* because the term "citizenship" is itself powerfully attractive in many ways. Citizenship is something that individuals often take great pride in, and is seen as coming with substantial responsibilities, ranging from the legal responsibility to pay taxes to the moral responsibility to be a good neighbour. For this reason, those who want to encourage corporations to act well may want to frame that in terms of corporate citizenship. To the extent that we think that corporations ought to be positive forces in society, it may be attractive to think of them as needing to be "good corporate citizens."

The notion of corporate citizenship is also problematic in various ways. First, corporations are not in any literal sense citizens of any country; laws that grant rights and responsibilities to "citizens" (e.g., the right to be issued a passport) are typically aimed at individual human beings. The term "citizen" is obviously even less well suited to describing multinational corporations. This means that the use of the word "citizenship," when it comes to corporations, is a metaphor at best and misleading at worst. Second, a claim to corporate citizenship may be the first step in an argument that begins with promising to fulfill, like a good citizen, certain obligations, but ends with claiming at least some of the rights—like political participation—that are associated with citizenship. Another problem is that the term "citizenship" might in fact be too narrow

to describe the range of good behaviours that fans of the term "corporate citizenship" have in mind: being a good *citizen* is only one small part of what it means to be a good *person*, and so a company might count itself a good corporate citizen (in engaging with, and giving back to, its community) despite, for example, not treating its own workers very well.

See also in CEBE:

- Corporate Personhood
- CSR (Corporate Social Responsibility)

Further Reading

- Dirk Matten and Andrew Crane, "Incorporating the Corporation in Citizenship: A Response to Norman and Néron" *Business Ethics Quarterly*, 18(1) 2008
- Pierre-Yves Néron and Wayne Norman, "Citizenship, Inc. Do We Really Want Businesses to Be Good Corporate Citizens?" *Business Ethics Quarterly*, 18(1)(2008)

Corporate Culture

Corporate culture consists of the shared beliefs and attitudes that influence the behaviour of those within the corporation. Every organization has a distinctive culture, which affects how employees interact with each other, how they dress, how they talk, and how they treat external stakeholders.

Corporate managers and leaders are often thought of as being responsible for creating and maintaining an appropriate corporate culture. Leaders and managers have a range of mechanisms available to them in their efforts to shape culture. To begin, they shape culture by their hiring decisions and policies. Hiring aggressive, belligerent individuals will tend to result in a culture that accepts or even encourages such behaviour. They also shape culture by the incentive structures they put in place. A 'winner-take-all' bonus system will likely encourage a culture in which employees see each other as competitors, rather than fostering a cooperative culture. Human resource policies may also do a lot to shape corporate culture. If minor failures are met with swift punishment, the culture that results is likely to be one of fear and resentment. Finally, those at the top of an organization can influence culture by the example they set through their own behaviour. If those at the top act like bullies or engage in sexual harassment, this sends a strong signal that is bound to shape culture.

Culture is widely believed to be important in either encouraging or discouraging employees to behave ethically. Some corporate cultures encourage a focus on winning "at any cost," even when the price to be paid is a loss of integrity or harm to customers. Some cultures encourage adherence to the "letter of the law," even when such adherence falls short of ethical excellence. Other cultures foster a set of shared values, including by talking openly and frequently about what those values are, such that employees find

it relatively easy to determine the right thing to do, even when the rules set out in their code of ethics do not provide clear answers.

See also in CEBE:

- Leadership
- Codes of Ethics

Further Reading:

- Scott Killingsworth, “Modeling the Message: Communicating Compliance Through Organizational Values and Culture”, *Georgetown Journal of Legal Ethics*, Vol. 25, No. 4, 2012.

Corporate Governance

Generally, the term **corporate governance** applies to a company's policies and procedures determining who has the authority to make which decisions on the company's behalf and who is accountable to whom within the organization. More specifically, we usually use the term to refer to the way that authority within corporations is structured at the highest levels. This includes questions like who selects the board of directors, what the board's responsibilities and powers are, what sub-committees it should have, and so on.

With regard to business ethics, corporate governance is important for a number of reasons. First, a corporation's governance structure explains who is ultimately responsible for a corporation's behaviour. Second, its system of governance may indicate what is the purpose of the corporation and what counts as good management in pursuit of that purpose. The shareholder–stakeholder debate in business ethics is sometimes referred to as the "corporate governance debate" because it concerns how and in whose interests companies should be managed. Third, failures of corporate governance are frequently a source or exacerbator of corporate scandals.

See also in CEBE:

- Executive Compensation
- Shareholders

Further Reading

- Henry Hansmann, *The Ownership of Enterprise*, 2000

Corporate Personhood

Corporate personhood is the ethical and legal concept according to which corporations may be treated — morally or legally — as entities independent of the human beings associated with them. In particular, this means that corporations have certain rights (such as the right to own property) and can be held accountable for their actions. It is a concept recognized within the legal systems of all advanced economies, because without corporate personhood, there simply can be no corporations.

The notion that corporations are persons has sometimes been controversial. Some critics have worried that thinking of corporations as persons gives them too much power, or accords them too much dignity. Such critics often take "persons" to mean the same as "people," which then leads to the worry that corporations might be thought of as being owed the same moral respect human beings are owed. Others have worried the notion of corporate personhood obscures the responsibility of individual humans within the corporation. Such critics argue that when we say that a corporation "did" something, this is just a shorthand way of saying that certain people — real human beings — did certain things, and it is those human beings who deserve credit or blame.

From an ethical point of view, corporate personhood is grounded in the idea that corporations seem to have many of the fundamental characteristics that let us identify persons. Like human persons, corporations have goals, and take action—based on their beliefs—in pursuit of those goals. If corporations are the sorts of things that can take action, they can rightly be blamed or praised for those actions, just like any human being can.

Legally, personhood means that corporations are regarded by courts as being responsible for their own actions. They can make commitments, and can be held responsible for those commitments. They can thus, for example, sign contracts and own property. They

can sue, and be sued. From a legal point of view, legal personhood is what makes it possible for a consumer to ask that a warranty be honoured, even if the person who made or sold the product to them no longer works there. It is also what makes it possible for a government to sue a corporation for damage caused by an oil spill. Personhood is often referred to as a "legal fiction." This description is not meant as a criticism, or as a way of diminishing the importance of legal personhood. It is simply a reflection of the fact that personhood is a legal convention, a way for courts to behave with regard to corporations, rather than a description of their nature.

It is worth noting that while the term "corporations" is most often taken to refer to for-profit corporations, in reality it applies to all sorts of organizations that are legally incorporated, including nonprofits (such as Greenpeace), labour unions, churches, universities, and so on. This means that the notion of corporate personhood applies to them too.

See also in CEBE:

- Corporation
- Law

Further Reading

- Blair, Margaret M. "Corporate Personhood and the Corporate Persona"2013 U. Ill. L. Rev. 785
- MacDonald, Chris"The Right to Bear Corporations? Reframing the Corporation as a Technology for Lobbying," *The Georgetown Journal of Law and Public Policy*. Vol. 12 (2015): 413-420
- Blumberg, Phillip I. The Multinational Challenge to Corporation Law: Search for a New Corporate Personality (1993)

Corporation

The term **corporation** may be used in multiple, and not always mutually-compatible, senses. In the broadest sense, it may refer to *any* group of persons united in seeking a common goal or serving a common purpose. In perhaps its most ordinary sense, it refers to a legally recognized and constituted entity that is separate from the people who compose it. In perhaps its narrowest sense, it refers to a legally recognized and constituted, for-profit entity whose ownership shares are traded on public exchanges (like the New York Stock Exchange). In a very loose sense, it may be used as a synonym for "company" or "firm"—referring even to companies or firms that are not legally incorporated. All of these senses of *corporation* are used in some cases, some of the time, in business ethics.

In business ethics, controversial questions surround the legally recognized, for-profit corporation. One question is whether that corporation's shareholders are in effect the *owners* of the corporation. Another question is whether *anyone* – shareholders or others – owns the corporation. An extremely controversial question surrounds corporate personhood: does the corporation's separate *legal* identity mean that the corporation also has a *moral* identity separate from the people who compose it? In particular, can a corporation be morally responsible for actions for which none of the people who compose the corporation are responsible?

Part of what makes corporations controversial is the power they possess. Various corporations are created—that is, incorporated—precisely because they are a powerful way to combine resources (human talents, natural resources, etc.) to get things done. The general fact that corporations can be very powerful means that they have the ability both to do enormous good and to do enormous harm. This raises the question of whether corporations in general are, on net, a force for good in the world. Perspectives on that question vary.

See also in CEBE:

- Corporate Governance
- Corporate Personhood
- Shareholders
- Stakeholder

Further Reading

- John Micklethwait and Adrian Wooldridge. *The Company*: A *Short History of a Revolutionary Idea*. Modern Library, 2005.
- Henry Hansmann, *The Ownership of Enterprise*, 2000
- Corporation (Wikipedia)
- Why do firms exist? *The Economist*. December 16th 2010.

Corruption

Corruption is dishonest behaviour by those in power, typically involving abuse of power for personal gain. Typical categories of corrupt behaviours include bribery and embezzlement. The term is most often used to refer to such behaviours on the part of public officials. This is particularly relevant for business ethics because it is often corporations, or those acting on their behalf, that are accused of having exerted a corrupting influence on public officials, as for example through offering a bribe.

Bribery is one common and important form of corruption. Bribery involves the offering of some benefit (typically money or gifts) in return for some preferential treatment. A typical example might involve a company offering a secret cash payment to a government official in order to secure a profitable government contract.

Activities falling under the heading of corruption are typically both unethical and illegal. From an ethics point of view, for example, those who engage in bribery may justifiably be accused of seeking unfair advantage, distorting markets, hindering economic development, and encouraging public officials to violate their oaths of office. Most forms of corruption are also illegal. Bribery, for instance, while relatively common in some places, is illegal in every country on earth. Of particular note is the US Foreign Corrupt Practices Act (FCPA), which allows the US government to prosecute bribery by any American company (or company traded on a US stock exchange) regardless of where on earth the bribery took place. Penalties under the FCPA include very heavy fines, and the possibility of jail time for individuals.

Many companies today have sophisticated systems in place to attempt to reduce the likelihood that one of their employees or agents will participate in corruption. Such systems might include special provisions within the company's code of ethics, specific training on the legal rules related to corruption, and mechanisms

for evaluating the *risk* of corruption in particular jurisdictions, particular industries, or for particular kinds of business deals.

See also in CEBE:

- Compliance
- Codes of Ethics

Further Reading

- Stuart P. Green. *Lying, Cheating, and Stealing*: A *Moral Theory of White-Collar Crime*, Oxford University Press, 2007
- Transparency International, "Corruption Perceptions Index"
- ISO 37,001: Anti-Bribery Management Systems

CSR (Corporate Social Responsibility)

Like business ethics, the term **CSR (corporate social responsibility)** is used in multiple, and not always compatible, senses. Definitions vary, and in fact many supposed definitions of CSR do not read like *definitions* at all. CSR may best be understood as the field that examines (and in some cases implements) a company's social responsibilities—that is, its responsibilities not to particular stakeholders, but to society "as a whole."

CSR is sometimes understood very broadly and other times very narrowly. In its broad sense, CSR is taken to encompass all of the concerns of business ethics (and perhaps much beyond). That is, those using the term "CSR" are not always focused exclusively on *corporate* behaviour: demands for good CSR may be addressed to companies or business people not doing business in the corporate form. Similarly, they are not always focused exclusively on *social* responsibilities—that is, responsibilities to persons or groups outside the company or to society generally. Finally, they are not always focused exclusively on *responsibilities*—legal or moral duties to act or avoid acting in particular ways (as opposed to duties, rights, entitlements, permissions, etc.) Thus, a company's program of philanthropic giving may be characterized as CSR even though it is debatable whether philanthropic giving is a responsibility (that is, a duty) of a company or a business person.

In its narrow sense, CSR may be taken to refer specifically to conferring gift-like benefits on groups or communities that are in some sense outside the company's normal line of business. Philanthropic giving or, for example, permitting employees to take a work day with pay to build houses for Habitat for Humanity may be thought of as central examples of a company's CSR efforts. Narrow-sense CSR activities or programs are sometimes criticized by CSR

advocates as being motivated less by the societal betterment that results from well designed and implemented efforts and more by public relations considerations, pursued as a disguised form of advertising.

Related to the distinction between the broad and narrow senses of CSR is the question of what is the relationship between CSR and business ethics. Is CSR an umbrella concept of which business ethics is a part? Alternatively, is business ethics an umbrella concept of which CSR is a part? Do they refer to different and non-overlapping ways in which companies or business people should act?

See also in CEBE:

- Sustainability

Further Reading

- Andrew Crane and Dirk Matten. Corporate Social Responsibility: Readings and Cases in a Global Context. Routledge, 2013
- Chris MacDonald, "CSR is Not C-S-R."

Environmental Ethics

Environmental ethics is the field dedicated to understanding human responsibilities with regard to the natural environment. Some approaches to environmental ethics apply standard philosophical theories (e.g., utilitarianism and rights-based approaches) to environmental issues. Other approaches have sought to develop entirely new theoretical frameworks, such as "deep ecology" and "eco-feminism."

A key debate within the field of environmental ethics concerns whether our concern for the environment should be anthropocentric or ecocentric. The anthropocentric, or human-centred, point of view argues that the environment should be protected because humans depend on the environment for their survival. The eco-centric, or nature-centred, point of view argues instead that the environment should be protected because it is ethically valuable in its own right, independent of human interests.

As it applies to the world of business, environmental ethics is centrally concerned with the impact that a company's activities have upon the natural world. In particular, it asks what obligations a company (or its owners and managers) has with regard to the natural environment. For example, it concerns questions such as how much pollution is acceptable. Given that it is all but impossible to avoid pollution altogether, how much is too much? What responsibility do companies (or their owners and managers) have to use resources in a way that makes sure sufficient resources are available for future generations?

Questions also arise about the motivation for corporate attention to environmental concerns. Some have pointed out that there can be a strong 'business case' for environmental conservation. That is, they suggest it makes good business or economic sense, either from a societal point of view or from the point of view of an individual company, to take care of the environment. Others point out that

environmental degradation can often, regrettably, be profitable, since the polluting company gains all the benefits of its pollution, but *everyone* shares in the costs.

See also in CEBE:

- Sustainability

Further Reading

- Desjardins, Joseph. Environmental Ethics. Wadsworth, 2012.
- Schmidtz, David and Elizabeth Willott. *Environmental Ethics: What Really Matters, What Really Works*. Oxford University Press, 2011.

Ethical Consumerism

Ethical Consumerism is the idea that consumers can, and should, act out a range of ethical values and principles and seek any of a range of ethical objectives through how they spend their money in the market. It generally implies that purchasing decisions are a way of putting values into action.

In practice, the range of behaviours that fall under the heading of ethical consumerism is large. On one hand, it can mean making purchasing decisions based on ethical standards relating to the way in which a given product is produced: it might mean, for example, refusing to buy from companies that treat their employees in ways that the consumer takes to be unethical, or from companies that engage in unethical advertising practices. On the other hand, it can mean making purchasing decisions based on what the consumer takes the seller's own ethical or political values to be: for example, refusing to buy from a store the owner of which campaigned for a politician whom the consumer dislikes.

One key type of ethical consumerism is ethical investing, which is the act of investing (buying or consuming investments) based on ethical criteria. Investment funds that are set up to facilitate this may, for example, avoid investing in so-called "sin industries," such as alcohol, tobacco, pornography, and firearms.

One particularly pointed form of ethical consumerism is the ethics-based boycott. A boycott involves intentionally avoiding dealing with a particular business, typically on ethical grounds, and encouraging other people to do the same.

There are two key *criticisms* of ethical consumerism: one practical, the other ethical.

The *practical* concern involves the difficulty that consumers face in finding and acting on the relevant information. In most cases, consumers know relatively little about how the products they buy were produced, or about the values of the individuals or companies

the produced them. This is even more difficult given the complexity of modern global supply chains. Two relatively recent innovations go some distance to remedying this problem. One is product labelling and certification: some products are labelled in ways that indicate that they were produced in line with certain ethical values. Apples may be labeled "Organic," for instance; paper might be labeled "100% Recycled;" canned tuna might be "Dolphin Friendly." The other relevant innovation involves various ethical rankings of corporations, such as Corporate Knights' "Global 100Most Sustainable Corporations" or *Forbes* magazine's list of "The World's Most Ethical Companies."

One *ethical* concern regarding ethical consumerism is closely related to the practical concern: if the relevant information is not accurate, then ethics-based purchasing may be counter-productive. Boycotts, for example, may tend to punish the wrong people: for example, deciding not to vacation in a particular state because you don't like the policies set by that state's political leaders may do substantial harm to innocent parties in the travel industry, without having any impact at all on the political leaders involved. The other ethical concern has to do with the particular values that consumers act upon. Not all values are positive ones. A racist, for example, who refuses to buy from a store that employs visible minorities is acting on her values, but they are not ethically-good values.

See also in CEBE:

- Capitalism
- Globalization

Further Reading:

- "Is Ethical Consumerism an Impermissible Form of Vigilantism?" by Waheed Hussain, *Philosophy & Public Affairs*
- "Is a Market for Values a Value in Markets?" by Alexei Marcoux [PDF], *Reason Papers*.
- "If the Price is Right, Do Values Matter?" by Chris MacDonald

for *The Business Ethics Blog*.

Ethical Theory: Kantianism

Kantianism is a key version of the broader ethical perspective known as deontology. According to deontology, there are certain absolute (or nearly absolute) ethical rules that must be followed (for example, the rule that we must respect people's privacy, and the rule that says we must respect other people's right to make decisions about their own lives). This implies that certain actions (perhaps including lying, and killing people) are absolutely prohibited.

In the modern day, deontology manifests itself in a focus on human rights—roughly, the idea that there are certain things that must never be done to human beings, as such. Such rights are typically thought of as being *universal*, applying to all persons everywhere, regardless of the political or legal system under which they live.

The details of Kantianism, the particular version of deontology put forward by German philosopher Immanuel Kant (1724-1804), are complicated. But the core idea is that human beings are not mere objects—they are persons who are worthy of respect, and who must be treated as such. In particular, other persons must not be treated as mere tools in the pursuit of one's own goals. Kantianism is the most commonly-cited version of deontology, and many people use the term "Kantianism" to refer to deontology generally.

In business contexts, Kantianism implies an obligation for businesses (and businesspeople) to treat all persons with respect. In particular, respectful treatment is considered obligatory *regardless of what ones goals and mission are*. A desire to achieve a particular outcome, such as to make a profit, cannot override the obligation to treat people fairly and with respect. Kantianism even insists that the desire to achieve outcomes that you think are *ethically good* cannot justify actions that, incidentally, fail to treat people with respect. For instance, a Kantian would likely say that it is wrong to lie to a

customer to get them to buy a product, even if you sincerely believe that the product is one that will bring them great joy.

The Kantian perspective is perhaps best understood when examined in contrast to utilitarianism, which says roughly that all that matters ethically is the good and bad consequences produced by a particular action. A hard-core Kantian would perhaps say that consequences almost *never* matter, and should never be counted in deciding what to do. Others think that Kantian rules, grounded in respect for persons, are important, but are incomplete. Such a view might suggest that while the pursuit of good outcomes is generally ethically good, this needs to be *balanced* against the need to respect persons, and that certain behaviours—such as lying to people or manipulating them—are seldom going to be justifiable simply in pursuit of what the individual sees as a good outcome.

See also in CEBE:

- Ethical Theory: Overview

Further Reading:

- Kant's Moral Philosophy (Stanford Encyclopedia of Philosophy)

Ethical Theory: Overview

Ethical Theories are attempts to provide a clear, unified account of what our ethical obligations are. They are attempts, in other words, to tell a single "story" about what we are obligated to do, without referring directly to specific examples. It is common in discussions of business ethics to appeal to one or more ethical theories in an attempt to clarify what it is right or wrong to do in particular situations. Some of the philosophical ethical theories commonly appealed to include:

- **Utilitarianism**, which says that the right thing to do in any situation is whatever will "do the most good" (that is, produce the best outcomes) taking into consideration the interests of all concerned parties;
- **Kantianism** (or Deontology more generally), which says that—as a matter of respect—there are certain absolute (or nearly absolute) rules that must be followed (for example, the rule that we must respect people's privacy, or respect other people's right to make decisions about their own lives);
- **Social Contract Theory** (or "contractarianism"), which says that, in order to figure out what ethical rules to follow, we ought to imagine what rules rational beings would agree to in an "ideal" decision-making context;
- **Virtue Theory**, which says that we ought to focus not on what rules to follow, but on what kinds of people (or organizations!) we want to be, and what kinds of ethical examples we ought to follow;
- **Feminist Ethics**, which is a complex set of interrelated perspectives that emphasize interpersonal concerns such as caring, interdependence, and the ethical requirements of particular relationships. Such concerns are traditionally identified with women, but Feminist Ethics should not be thought of as a theory only *for* women.

In some cases, scholars attempt to use a single ethical theory to shed light on a topic or range of topics. (A good example would be Norman Bowie's book, *Business Ethics: A Kantian Perspective*.) A more typical approach—one taken by many business ethics textbooks today—is to attempt to use insights from various ethical theories to shed light on different aspects of a particular problem. Such an approach might involve, for example, asking which decision in a particular situation would result in the best consequences (a Utilitarian consideration) but then asking whether acting that way would violate any Kantian rules or whether a person acting that way would be exhibiting the kinds of virtues that a good person would exhibit.

The role of ethical theory in business ethics is somewhat controversial, in part because Business Ethics is seen as a branch of "applied ethics." Some regard applied ethics (and hence Business Ethics, along with bioethics, environmental ethics, etc.) as a field that takes "standard" ethical theories and *applies* them to practical problems. Such an approach might involve asking, for example, "What would Kant say about privacy in the workplace?" Others regard applied ethics as an attempt to gain *theoretical insight* (or to "build" better ethical theories) by testing them against real-life problems.

See also in CEBE:

- Business Ethics
- Business Ethics Education
- Ethical Theory: Kantianism
- Ethical Theory: Utilitarianism
- Ethical Theory: Virtue Theory

Further Reading:

- Consequentialism (Stanford Encyclopedia of Philosophy)
- Contractarianism (Stanford Encyclopedia of Philosophy)
- Feminist Ethics (Stanford Encyclopedia of Philosophy)

- Kant's Moral Philosophy (Stanford Encyclopedia of Philosophy)
- Oxford Handbook of Ethical Theory (Amazon.com)
- Utilitarianism (Wikipedia)
- Virtue Ethics (Stanford Encyclopedia of Philosophy)

Ethical Theory: Utilitarianism

Utilitarianism is an ethical theory that says that the right thing to do in any situation is whatever will "do the most good" (that is, whatever will produce the best outcomes) taking into consideration the interests of all concerned parties.

Utilitarianism is part of a larger family of **consequentialist** ethical theories—theories according to which the rightness or wrongness of actions is determined by their tendency to produce good or bad consequences or outcomes. Utilitarianism says in particular that the right action in any situation is the one that will produce the best outcomes, as measured by impact on *everyone* involved. The latter part is important: utilitarians believe that everyone's interests count.

Historically, utilitarian philosophers played an important role in many struggles that are today recognized as ethically significant. Utilitarians argued, for instance, in favour of rights for women and for people of various races. All people—all happiness and all misery—count equally, in the eyes of utilitarians. This was a radical view, in an era in which only white, property-owning males were really thought of as being entitled to a full range of rights.

In business contexts, utilitarianism implies an obligation for businesses to do what they can to act in a way that maximizes happiness and minimizes suffering. So, utilitarianism provides a basis for criticizing business behaviours that cause harm to anyone at all.

A hard-core utilitarian would say that outcomes are *all* that matter. If option A will create more happiness (or less misery) overall than option B, then option A is ethically correct. Others who think that utilitarian reasons matter, but are incomplete, would say that there is a *good reason* in favour of option A, but that other considerations (such as human rights) matter too and might sway our overall ethical judgement on the matter.

The utilitarian perspective is perhaps best understood when examined in contrast to rights-based perspectives. Consider the question of child labour. A rights-based perspective might say that it is wrong to hire children to do difficult labour, such as working in a factory or in a cotton field. A utilitarian perspective would focus on outcomes: if more good (more happiness) is created overall by giving a child a job, then it is right to do so, even if we agree that in principle it would be better if the child didn't *need* the job.

See also in CEBE:

- Ethical Theory: Overview

Further Reading:

- Consequentialism (Stanford Encyclopedia of Philosophy)
- Utilitarianism (Wikipedia)

Ethical Theory: Virtue Theory

Virtue Theory is an ethical framework that says that we ought to focus not on what rules to follow, but on what kinds of people (or organizations) we should be, and what kinds of ethical exemplars we ought to imitate. In asking about the ethics of a particular behaviour, a virtue theorist (or "virtue ethicist") would ask whether someone engaging in that behaviour is manifesting the appropriate virtues or character traits. Is that, for example, the kind of thing a brave or generous or compassionate person would do?

Given the focus of virtue theory on character, it becomes important to figure out what kinds of people we ought to be. There are at least two routes to figuring out what kinds of people we ought to be. One is to ask what characteristics a person needs to have in order to flourish—that is, to thrive and live a good life as part of a healthy community. The other is to think of examples: when you picture a *good person*, what kind of person do you picture? This might involve thinking about a real person in your own life whom you admire (a favourite teacher or mentor perhaps), or thinking about what an imaginary ideal person would be like. Virtue theory suggests that once you can imagine what a good person is like, you should behave in any situation as you think such a person would behave.

The term "virtue" is not exclusively a technical term, but it is also not used much in everyday language. Virtues are basically positive character traits, such as honesty and generosity. (The opposite of a virtue is a *vice*. Vices are negative character traits like dishonesty and greed.) Virtue theory has its historical roots in the work of the ancient Greek philosopher, Aristotle, who argued that each virtue is a mean or "middle-point" between two vices, one of defect and one of excess. So courage, for example, can be understood as a middle-point between cowardice (the defect or lack), on one hand, and rashness (the excess) on the other.

Virtue theorists tend also to be interested in the process by which individuals acquire various virtues. It is often pointed out that virtues (and vices) are habits, and that habits are acquired by repetition: each time you tell the truth in a difficult situation, it makes it slightly easier to do so the next time. Over time, through repetition, we acquire the habit of truth-telling. This gives special significance to individual actions. The problem with telling a lie is not (as a utilitarian would say) the damage that it does, nor (as a Kantian would say) the fact that lying amounts to disrespecting someone, but rather that in telling a lie we are likely acting in a way that we do not think is worthy of imitation, and we are contributing to the process building ourselves into liars.

Virtue theory is especially relevant to business in that modern businesses put significant emphasis on mentorship and on leadership. It is relatively easy for senior business leaders to see that the significance of setting a good example for their followers.

See also in CEBE:

- Ethical Theory: Overview

Further Reading:

- Virtue Ethics (Stanford Encyclopedia of Philosophy)

Ethics in Advertising

Ethics in advertising considers the range of questions related to right and wrong regarding the advertising of products or services, or the people who perform that business function.

The central ethical issue with regard to advertising is honesty, and the avoidance of deception. Deceptive advertising is problematic for several reasons. First, it may do harm if it results in people buying something that either harms them or doesn't actually meet their needs. Second, deception is often wrong because it constitutes a form of manipulation, and hence fails to respect customers as persons. Finally, deceptive advertising undermines the efficiency of markets by making it harder to match products and resources with people and their goals.

Closely related to the question of honesty in advertising are questions related to advertisements that are not literally false, but potentially misleading. One such concern has to do with ads that portray products in a way that may tend to inflate consumer expectations in a way that leads to bad purchase decisions. For example, a car ad showing a mid-sized sedan being driven like a race car may wrongly suggest to potential customers that they too will be able to drive that way, especially if they don't know that the car in the ad was being driven by a professional driver under carefully controlled conditions.

Another key ethical concern has to do with advertising aimed at vulnerable populations such as children or the elderly. Very young children often cannot reliably tell fantasy from reality. An adult viewing an ad that shows a bicycle flying through the air will typically know that this is merely an attempt by the advertiser to grab their attention. A child, on the other hand, may genuinely be misled about what that bicycle can do.

Some commercial advertisements focus not on promoting a product, but on promoting a brand or the company that owns the

brand. In this regard, there is sometimes a concern regarding advertising that, while technically accurate, provides a very incomplete portrayal of a company's overall performance. When this takes the form of highlighting environmentally-friendly products and other 'green' achievements in order to distract from a weak overall environmental track record, it is known as "greenwashing."

Critics of capitalism sometimes argue that, under a capitalist system, the role of advertising is actually to create in people "needs" and desires they did not formerly have. In this way, it is said, advertisement promotes consumption in a way that is unhealthy for society, but necessary for capitalism as a system.

Finally, questions also arise as to whether there are some products and services that simply should not be advertised, even if they may be legally sold. The advertising of certain products and services is restricted by law in some jurisdictions. For example, the advertising of cigarettes and alcohol are both severely restricted in many jurisdictions.

Further Reading

- Theodore Levitt, "Advertising: The Poetry of Becoming," *Harvard Business Review*, March/April 1993.
- Pontifical Council for Social Communications, "Ethics in Advertising," February 22, 1997.
- The Canadian Code of Advertising Standards
- Standards of Practice of the American Association of Advertising Agencies

Ethics of Wages and Working Conditions

The **ethics of wages and working conditions** is a broad topic that includes consideration of right and wrong in a wide range of questions having to do with the treatment of workers.

One central set of concerns has to do with what constitutes fair wages (or pay, or compensation more generally). One view treats wages as a kind of price (the price an employer pays for the worker's labour) and argues that here, as in other situations, prices ought to be set by the market based on the supply of, and demand for, the good in question, namely in this case a particular kind of labour. A different ethical view argues that employers have a duty to pay a *fair wage*. In some cases, the argument is that employers ought to pay a *living wage*, namely a wage that is sufficient to allow the worker to enjoy a 'normal' standard of living.

Another key set of concerns has to do with workplace health and safety. One key question here has to do with the lengths an employer must go to in order to reduce health risks. In principle, any workplace will always pose some risks, and those risks can never be reduced to zero. Another question has to do with an employer's obligation to make sure that employees *understand* the risks that they are exposed to. Employees working with dangerous chemicals, for example, are generally thought to have a right to know the dangers of those chemicals, so that they can make informed decisions about their own safety.

A third set of concerns has to do with the length of a workday, frequency of breaks, and the intensity of the work being done. The most common worry, perhaps, is about workdays that are so long that they constitute an inhumane hardship for the worker. An 8-hour workday for example is generally considered acceptable, but (with rare exceptions) a 12-hour day is not. There is also generally an

expectation, as part of an employer's general obligation to provide humane working conditions, that workers will receive occasional breaks, including breaks for lunch and to use the bathroom. Conversely, questions arise about an employer's obligation to provide *enough* hours of work. Employers have sometimes been criticized for failure to provide *full time* employment (thereby possibly avoiding having to offer benefits). In other cases, employers have been criticized for offering very short shifts: expecting an employee to spend an hour to get to work in order to work a 2-hour shift can easily be seen as unfair.

The term "sweatshop" is often used pejoratively to describe places (typically factories in developing nations) that feature a combination of low wages, long hours, and relatively weak protections for worker health and safety.

Three key forces may be identified in the general upward trend in wages and working conditions. First, market forces have often worked in this direction: employers may offer better wages and working conditions in order to attract workers. Second, in some cases workers have been able to unionize in order to increase their bargaining power and thereby persuade employers to offer better wages and improved working conditions. Finally, governments in most jurisdictions have passed a variety of regulations aimed at improving wages (for example, by establishing a minimum wage) or working conditions (for example, by requiring employers to provide safety equipment).

See also in CEBE:

- Globalization

Further Reading:

- Matt Zwolinski. "Sweatshops, Choice, and Exploitation," *Business Ethics Quarterly*, 17(4) (2007). 689-727. https://doi.org/10.5840/beq20071745

Executive Compensation

The term **“executive compensation”** is typically used to refer to the total compensation received by senior corporate executives. Such compensation might typically include salary, bonuses, benefits (such as use of a company car), and grants of stock or stock options.

Two main controversies arise with regard to executive compensation.

The first has to do with the very high *levels* of compensation often seen at large, and especially American, corporations. The most highly-compensated American CEOs can make upwards of $50 million in a single good year. Many have asked whether any individual can really be “worth” that much. Questions of equity also arise. Is it ethical, some wonder, that the CEO makes tens of millions of dollars when thousands of his front-line employees make the minimum wage (which amounts to about $15,000 per year)? This is what philosophers refer to as a question of *distributive justice.*

The complexity of compensation is an important detail, in this regard. A CEO who makes $10,000,000 is very unlikely to get that as *salary*. It is much more likely that he will have made a much more modest salary (say, $500,000) and to have been granted stock in the company (or stock options) the value of which makes up the rest of his income for the year. Those who defend very high levels of compensation point out that the *value* of stocks and options depends on how successful the company is, which means that money gained that way rewards CEOs for helping make the company stronger. In fact, the need to motivate CEOs properly—and to align their interests with the interests of shareholders—is precisely what inspired many companies to *begin* offering large grants of stock and options in the last few decades of the 20th Century.

Others argue that efforts to use stocks and stock options to incentivize CEOs and other senior executives has generally failed.

They argue that what such attempts really do is encourage executives to do things that will boost stock prices in the *short term*, rather than to build long-term value.

Another ethical issue related to executive compensation has to do with the *process* by which levels of executive compensation—and especially CEO compensation—is set. At large, publicly-traded companies, CEO compensation is set by the Board of Directors. But at many companies, the CEO is also the Chair of the Board. And in many cases, the CEO has either chosen or been influential in choosing the members of the Board. Both of those factors may leave Board members feeling overly sympathetic and likely to set higher levels of compensation than are warranted. Many companies today attempt to overcome this problem by establishing Compensation Committees, and by using objective benchmarks (e.g., salaries paid to CEOs at similar companies in similar industries).

See also in CEBE:

- Ethics of Wages and Working Conditions

Further Reading:

- Jeffrey Moriarty, "How Much Compensation Can CEOs Permissibly Accept?" *Business Ethics Quarterly* 19(2)(2009): 235-250.
- Pierre-Yves Néron, "Egalitarianism and Executive Compensation: A Relational Argument", *Journal of Business Ethics*, 2015
- "Measuring the Value of Executive Pay." Chris MacDonald, *The Business Ethics Blog*, January 9 2010.

Fiduciary

A **fiduciary** is a person who has been entrusted with a responsibility to act loyally for the benefit of another person – called a *beneficiary* – in managing an asset or pursuing a project. The term "fiduciary" occurs most commonly as a description of specific kinds of duties, obligations, or responsibilities. Under the law, fiduciary duty is understood to include both a duty of loyalty (to act in the beneficiary's interests and not to subordinate the beneficiary's interests to others' interests) and a duty of care (to make reasonable and diligent efforts to advance the beneficiary's interests).

Everyday examples of fiduciary relationships include the physician-patient and attorney-client relationships. Physicians are fiduciaries for their patients with regard to maintaining the patient's health. Attorneys are fiduciaries for their clients with regard to protecting the client's legal interests.

Fiduciary relationships appear frequently in business. As just one example, a full-service stockbroker is a fiduciary for her client with regard to managing the client's investment portfolio. The stockbroker has a duty to pursue trades in the client's interests and not to subordinate the client's interests to other interests (including the stockbroker's own!) that could be served through trades made in the client's account.

The similarity of fiduciary relationships to agency relationships is not accidental. At law, all agents are fiduciaries, though not all fiduciaries are agents. That is because there is a class of fiduciaries who are not subject to beneficiary control. For example, a trustee appointed by a parent to manage a trust fund for an infant child is a fiduciary for the child, but is not subject to the child's control (and is therefore not an agent for the child).

A controversial topic in business ethics surrounds the fiduciary duties of a corporation's directors and officers in pursuing the governance of the corporation. Some understand the beneficiary of

directors' and officers' fiduciary duties to be the shareholders of the corporation; if this is right, then the corporation should be managed in the shareholders' interests. Others understand the beneficiary of directors' and officers' fiduciary duties to be the corporation itself (as distinct from the corporation's shareholders) and see this as underwriting the stakeholder view of the corporation—the idea that the corporation should be managed in the interests of all of its stakeholders. (This is also sometimes called the multi-fiduciary view.)

See also in CEBE:

- Agency
- Conflict of Interest
- Corporate governance

Further Reading:

- John Boatright, "Fiduciary Duties and the Shareholder-Management Relation: Or, What's so Special About Shareholders?" *Business Ethics Quarterly* 4(4) (1994): 393-407.
- Alexei Marcoux, "A Fiduciary Argument Against Stakeholder Theory," *Business Ethics Quarterly* 13(1) (2003): 1-24.
- Business Ethics Highlights, "Morgan Stanley Sued Over Administering Employees' 401(k) Plan," August 22, 2016.

Globalization

In a business context, **globalization** is the process through which trade has become international in its functioning. It is characterized by the cross-border mobility of (in varying degrees) products, capital, and labour. Globalization has been made possible by advances in transportation and information technology and by the reduction in trade barriers such as taxes and tariffs.

One key element of globalization is the increasing dominance of multinational corporations—corporations that carry out operations in several different countries and that are, in some sense, "beyond" having a national identity. Another prevalent feature of globalization is the outsourcing (often to companies in less-developed countries) of production functions that at an earlier time were done within the company orchestrating the production process.

Proponents of globalization point out the economic advantages that come from the free flow of people, products, and money and the resulting expansion of markets. The globalization of markets is seen as a significant source of both wealth creation and the alleviation of extreme poverty.

Critics argue that globalization has resulted in a number of negative effects, and that it has perhaps had a negative impact overall. Critics of freer trade have complained about "stolen" jobs in situations in which corporations have moved manufacturing activities from a more-developed country to a less-developed one. Others have complained that by moving production to less-developed countries, corporations have cynically sought to take advantage of lower regulatory standards (such as standards regarding wages and working conditions). Other critics of globalization worry that the mobility of people and goods has resulted in cultural homogenization, and the spreading of a wasteful Western lifestyle to other countries.

See also in CEBE:

- Capitalism
- Ethics of Wages and Working Conditions

Further Reading:

- Thomas Friedman, *The World is Flat*. Farrar, Straus & Giroux 2007.
- Joseph Stiglitz, *Globalization and Its Discontents*. Norton 2003.

Human Rights

Human rights are moral entitlements that are thought of as being owed to all humans, simply in light of the fact of their humanity, independent of any legal structure and regardless of where in the world they live. Examples include the right of all persons to be treated equally under the law, the right not to be tortured, and the right not to be enslaved. While human rights are primarily a moral concept, human rights have also received legal protection of various kinds. Some nations have enshrined various rights in their own constitutions (as in the US Bill of Rights and the Canadian Charter of Rights and Freedoms), and international law (as in the provisions of the Geneva Conventions, which govern the conduct of war.)

International agreement as to the existence and importance of such rights is embodied in The Universal Declaration of Human Rights, which was ratified by the United Nations General Assembly in 1948.

Modern conceptions of human rights build upon the much older philosophical notion of "natural" rights, which were universal and were specifically contrasted with the "artificial" rights granted by governments. But the notion of universal human rights has sometimes been controversial. The philosopher Jeremy Bentham argued that the only rights are legal rights, and that the idea of natural rights was nonsense.

Many ethical issues in business are implicitly or explicitly questions of human rights. Arguments about sweatshop labour, for example, are often cast in terms of just how bad labour conditions have to be in order for them to be thought of as violating human rights. Likewise when companies work to discourage workers from unionizing, the question arises whether they thereby violate workers' internationally-recognized right of freedom of assembly and association.

This is particularly relevant in international business contexts.

In some cases, businesses from Western nations do business in developing countries where legal regulation, including legal protections for persons, is minimal. In such contexts, it is often argued that the behaviour of companies ought to be guided not just by local law, but by internationally agreed-upon human rights. It does not matter, for example, that local law does not explicitly forbid racial discrimination: the right not to be discriminated against on the basis of race is recognized as a human right, and so corporations, wherever they operate, ought to act accordingly. The most far-reaching version of this point of view argues that companies have an obligation to do what they can to make up for the deficiencies of the jurisdictions in which they do business.

See Also in CEBE:

- Globalization
- Law

Further Reading:

- The Universal Declaration of Human Rights
- Smith, Jeffery. "Corporate Human Rights Obligations: Moral or Political?" *Business Ethics Journal Review*, 2013.

Law

Law generally refers to rules created and enforced by governments (legislation or code law) and, particularly in common-law jurisdictions (Australia, Canada, Ireland, India, New Zealand, South Africa, the United Kingdom, the United States) also to principles, policies, and rules emerging from court decisions (case law). The purpose and justification of law is contested. Law may seek to protect fundamental rights, to facilitate peaceful interaction between people pursuing diverging goals, or to promote or achieve a particular understanding of what is good or worthy.

Law both inhibits and enables the actions of companies. Law may inhibit a company's activities by forbidding or requiring particular courses of action. Law, in different ways, does both. Law may enable a company's activities by providing templates or frameworks through which companies may pursue their goals. Contract law, for example, provides that by doing or saying certain things people can make binding agreements with one another that will be enforced by judicial authorities in the event that one or more parties fail to follow through on the agreement. Business associations law, for example, provides that by going through specific processes people can create companies whose equity owners have limited liability (corporations).

There is significant but incomplete overlap between law and ethics. Law and ethics possess a common vocabulary of rights, duties, obligations, considerations of the good, and so forth. However, it is a mistake to conclude that law and ethics are therefore the same. Some actions may be legal but not ethical. For instance, in most instances, lying is legal, but is generally considered unethical. Other actions may be ethical but not legal. For instance, exceeding the speed limit in order to get a very ill child to the hospital is illegal, but may be ethically justified.

Bodies of law that may be relevant to companies and business

people include business associations law (which governs the formation and operation of corporations, partnerships, sole proprietorships, and other organizational forms), contract law (which governs the formation and performance of agreements between some companies or people and other companies or people), tort law (which governs liability for harms suffered between companies or people outside the bounds of contract), employment law (which governs the formation and conduct of employer-employee relationships), and the law of white-collar crimes (which governs financially motivated, non-violent conduct such as fraud and embezzlement). Companies generally have an obligation to conform their activities to law (though there may be exceptions, such as in the case of unjust laws).

See also in CEBE:

- Compliance
- Corporate Governance
- Corporation
- Regulation

Further Reading:

- Chris MacDonald, “What’s Legal Isn’t Always Ethical” (*The Business Ethics Blog*)

Leadership

Leadership can be defined as influencing others in pursuit of a shared goal. Leadership is often distinguished from management, although the two clearly overlap. One possible way of describing the difference is that while *managers* coordinate and motivate employees toward the pursuit of goals set by someone else, *leaders* are expected to possess the vision required to set high-level goals of their own. Good leaders may be thought of as ones who are able to set goals that have the ability to inspire employees, such that they *want* to follow, rather than simply following because they have been ordered to.

Within the scholarly literature on leadership, there is a serious debate over the relationship between leadership and ethics. Some scholars prefer to treat the term "leadership" as ethically neutral, such that we can legitimately contemplate whether a person is a good (effective) leader without considering whether he or she is *ethically* good. (On this view, it makes perfect sense to say that "Hitler was a great leader," while at the same time acknowledging that he was an evil man.) Others prefer a understanding of leadership that weaves ethics in from the start, such that one can only be a *true* leader if one leads ethically toward ethically-good goals.

The role of leadership in ethical business conduct is widely recognized. The leaders of businesses have two key roles in promoting ethical behaviour. One involves setting appropriate policies and, where appropriate, providing suitable ethics training for employees. The other has to do with creating and fostering a *culture* within the organization that encourages and enables employees to do the right thing. One key way of fostering the right culture is through the example that leaders set, both in the things they say and in the things they do. This is often expressed in terms of the importance of "tone at the top."

See also in CEBE:

- Corporate Culture
- Corporate Governance

Further Reading

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- Terry L Price, *Leadership Ethics: An Introduction*. Cambridge University Press, 2008.

Professions

In ordinary language, “professions” may refer to activities one engages in for money. (This is the sense in which we speak of “professional” athletes or refer to prostitution as “the world’s oldest profession.”) In a business ethics context, however, **professions** are generally understood to be occupations marked by three main characteristics: (i) a specialized body of knowledge shared by all members of the profession; (ii) a high degree of organization among, and self-regulation by, members of the profession; and (iii) a commitment on the part of members of the profession to public service. A concept applied originally only to law, medicine, and the clergy, professions today include many other occupations. (Examples especially relevant to business include accountancy and financial planning.) “Professionalization” refers to the process by which previously non-professional occupations seek to become professions.

A number of controversies surround professions and efforts to professionalize previously non-professional occupations. One common question is whether an occupational group in fact shares a specialized and common body of knowledge that is sufficiently complex to justify an effort at professionalization. An important justification for professionalizing an occupation is the existence of information asymmetries that place a customer or client at a substantial disadvantage when looking out for his own interests and makes him vulnerable to the service provider. Clients, for example, typically lack the knowledge to evaluate the quality of the services provided to them by their lawyers. Professionalization is one remedy to such asymmetries. This is one reason why professionals are frequently bound by both ethical and legal duties to act as fiduciaries for their clients. However, not every information asymmetry is a vulnerability that is best remedied by professionalization. For example, someone considering buying a car

may be at an information disadvantage with respect to a car salesman when it comes to understanding the features and attributes of that car. Eliminating or reducing the effect of that information disadvantage may be better accomplished by legislatively-enacted disclosure requirements or by establishing a legally-mandatory cooling-off period after purchase, rather than by professionalizing car sales.

The complexity of an occupation's specialized and common body of knowledge is also the basis for justifying a profession's organization and self-regulation. Ordinarily, public policy *discourages* industry organization and self-regulation (think, for example, of various elements of competition law) out of fear that the industry will use self-organization and self-regulation to engage in anti-competitive collusion and price-fixing. The existence of a genuinely specialized and common body of knowledge, however, makes ordinary, legislative forms of regulation less effective, as legislators may lack the necessary knowledge to regulate effectively an occupation in the public interest. It is for this reason that organization and self-regulation may be the most effective feasible alternative. However, this fact does not eliminate the fear that organization and self-regulation will be pursued by members of an occupation in an anti-competitive, public-interest-compromising way. Some commentators suspect that professionalization efforts are most often motivated by the desire on the part of members of an occupation to restrict entry into and cartelize the market in their services, thereby inflating their own incomes.

Another controversy about professions surrounds how to understand a profession's commitment to public service in the context of the fiduciary duties that professionals frequently have to their customers and clients. A fiduciary duty is a duty to be in the customer's or client's corner (to use a metaphor from the sport of boxing). A criminal defense attorney, for example, is duty-bound to represent zealously the interests of her client. Thus, her commitment to public service does not and cannot include undermining even a guilty client's defense in the interests of justice.

The point here is not that fiduciary care and a commitment to public service are contradictory, but instead that the way we understand "public service" must be compatible with the duties of loyalty and client service that frequently go along with professional roles.

Professionals are important in part because they frequently act as gatekeepers within companies. A company's lawyers, for example, are duty-bound to uphold the law even if the company's interests could better be served by breaking it. Similarly, an internal auditor is duty-bound to ensure that a company's financial reporting is compliant with generally-accepted accounting principles, even if they company's interests would be better served by some non-standard manner of reporting. In this way, professional ethics act as an important *constraint* on the *manner* in which client interests may be advanced, serving the public good by keeping companies honest.

See also in CEBE:

- Agency
- Codes of Ethics
- Conflict of Interest
- Fiduciary
- Law
- Regulation
- Regulatory Capture

Further Reading:

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Regulation

In its broadest and most usual sense, **regulation** is any attempt by government to modify the behaviour of businesses. Most typically it refers to formal rules created by government bodies under the authority of legislation. Some regulations limit what businesses can do (as is the case with regulations that establish a minimum wage). Other regulations require specific behaviours (as is the case with labelling regulations that require food manufacturers to list a food's basic nutritional characteristics).

Many people assume a simplistic view according to which government's job is to create and enforce regulations, and the role of companies is to moderate their behaviour accordingly. In practice, the regulatory process is more complicated. In some cases, businesses lobby government to create, modify, or eliminate regulations. In other cases, governments *delegate* regulatory authority to, or *seek* regulatory guidance from, an industry body or professional association. In still other cases, a group of businesses in an industry may bypass government entirely, banding together to create their own sets of rules and to enforce them upon themselves in what is known as "self-regulation."

Individual regulations are created for many different purposes. Some are created to protect consumers. Others are created to limit the unintended side-effects of commercial activity (such as pollution) on bystanders or on communities as a whole. On one view, the main goal of regulation in general should be to attempt to make markets operate more efficiently, and closer to the way that the "ideal" markets described in economics classrooms do.

The extent to which government should regulate business activities is controversial. Most people recognize the need for at least some regulation, but many worry that regulation can easily become excessive. The costs of compliance with existing regulations and keeping up with updated or additional regulations

may exceed the social benefits derived from them. Established companies can sometimes manipulate the government regulatory structure to create regulations that look on the surface like public safety or environmental protection measures, but whose main function is to insulate the established companies from competition by upstarts because the regulations raise their competitors' costs. Thus, both the ideal content and quantity of regulation is an important ethical and economic topic.

See also in CEBE:

- Compliance
- Law

Further Reading:

- David Moss and John Cisternino, eds., *New Perspectives on Regulation*, Tobin Project, 2009.

Regulatory Capture

Regulatory capture refers to the phenomenon of government agencies, created initially to serve the public interest, serving instead the interests of the companies and industries they regulate, as a result of deliberate efforts on the part of those companies and industries to co-opt the agencies. For example, taxi regulations that are ostensibly aimed at protecting the riding public, but serve mainly to raise barriers to entry into the taxi market, are sometimes alleged to evidence the 'capture' of municipal taxi commissions by incumbent taxi license holders. Research in regulatory capture seeks both to explain why and how capture occurs and to document historical instances of capture.

Regulatory capture can be thought of as both a state of affairs and a process. As a state of affairs, a regulatory body is said to "be captured" when it is dominated by a particular company or industry; its regulations reflecting the interests of that company or industry, instead of (for example) the interests of consumers or the public at large. As a process, regulatory capture refers the strategies and tactics by which companies or industries pursue the co-option of their regulators.

The motivation for a company or industry to attempt capture of a regulatory agency is mainly economic. A company may seek to capture a regulatory agency in order gain a competitive advantage over its rivals. An industry may seek to capture a regulatory agency in order to entrench incumbent companies in the industry and raise barriers to entry by upstart competitors. Regulatory agencies are thought to be most susceptible to capture when the benefits of capture are highly concentrated (companies can be made substantially wealthier by securing regulatory rules most advantageous to them) and the costs are widely dispersed among the public (regulatory rules make many individual persons pay small sums of money to enrich the companies). For example, in the United

States, tariffs on imported sugar make consumers pay roughly three times the world market price for sugar. Consumers each pay a few extra dollars per year for the sugar they consume, but this means millions of dollars for a handful of domestic sugar producers.

Methods of pursuing or maintaining regulatory capture include ordinary political activities such as lobbying. However, it is widely believed that among the most effective tools of pursuing or maintaining regulatory capture is establishing a so-called "revolving door" of employment between a regulatory agency and the companies that agency regulates. Regulators may look forward to lucrative future employment in a regulated company, and regulated companies provide candidates for political appointment to fill open seats on regulatory panels. Government ethics or conflict-of-interest rules that prohibit for a period of time lobbying or appearing before regulatory agencies that one has served on are attempts to upset the smooth operation of the revolving door and immunize the regulatory agency from capture.

Although *material* capture (providing tangible rewards to regulators for doing things a company's or industry's way) is the most common form of regulatory capture discussed, a perhaps more complete and stable form is what is sometimes called *cognitive* or *cultural* capture, in which regulators come to view the world through the eyes of the regulated company or industry. This might happen through mechanisms as simple as meeting frequently in professional contexts: people who see each other frequently may start to see each other as friends, rather than adversaries, an effect that can dull the critical perspective of a regulator.

See also in CEBE:

- Compliance
- Conflict of Interest
- Law
- Professions
- Regulation

Further Reading:

- Lawrence G Baxter, Understanding Regulatory Capture: An Academic Perspective from the United States, 2012.
- David Moss and John Cisternino, eds., *New Perspectives on Regulation*, The Tobin Project, 2009.

Scandals

In a business context, a **scandal** is a moment of public crisis, a situation in which some wrongdoing – real or apparent – becomes the subject of publicity and public scrutiny. Scandals, of course, vary enormously. Scandals can pertain to large-scale corporate conduct involving the cooperation of many people (such as the Volkswagen emissions-falsification scandal), to an individual corporate decision (as when Turing Pharmaceuticals raised the price of one of its drugs from $13.50 to $750 per pill), or to illicit behaviour by an individual (such as a corporation's CEO). In some cases, people use the term "scandal" to refer to a larger pattern of conduct in business generally or in a particular industry that is seen as being particularly worthy of criticism. For example, some have suggested that the current very high levels of executive compensation constitute a 'scandal.'

How significant or important are scandals? Are they indicative of larger problems? In some cases, scandals may be effective in bringing a problem to light, and hence promote change. A scandal may force a company to change its behaviour. In some instances a scandal may result in regulatory changes (as when the financial crisis of 2008-2009 resulted in the US Congress passing the Dodd-Frank Wall Street Reform and Consumer Protection Act.)

It is also worth noting that attention to scandals can produce a highly biased perspective on corporate behaviour in general. By definition, scandals are instances in which corporate behaviour becomes the focus of pubic attention, typically through the media. The media and the public are seldom interested in everyday *good* behaviour. Attention to scandals may thus wrongly persuade people that bad corporate behaviour is more common than it really is.

See also in CEBE:

- Compliance
- Corruption

Further Reading

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- Michael Lewis, *The Big Short: Inside the Doomsday Machine*. W. W. Norton & Company, 2011.
- The 5 Biggest Corporate Scandals of 2016 (*Fortune* Magazine)

Shareholders

Shareholders (sometimes informally called *stockholders*) are people who have purchased a share (or stock) in a company. Shareholders own equity in a company. In most cases, this gives them a legal right to:

- vote in the election of the company's board of directors;
- a share in the company's "residual earnings" (profits the company has after its other obligations – salaries, bills, etc. – are paid); and
- the loyalty and care of the company's managers.

Shareholders are often referred to as the "owners" of the corporation, but this is arguably inaccurate. Strictly speaking, what they own is shares in the company, which means that what they "own" is a piece of the governing power of the organization (i.e., a right to vote on the board's membership) and the right to a share of whatever dividends the board sees fit to distribute.

There is considerable debate over the notion of "shareholder primacy," the idea that the firm is in some way "about" shareholders' interests in the corporation and, therefore, that managers should "put shareholders first." Part of the problem is that there is disagreement and confusion over just what it *means* to put shareholders first. Another confusion, pointed out by the legal scholar Stephen Bainbridge, is that the idea that a firm's management ought to extend fiduciary care only to the firm's shareholders is the same as shareholder primacy. In Bainbridge's view, the firm is "about" the board of directors, but the board is bound by a duty of fiduciary care to shareholders.

Another interesting question about shareholders surrounds whether there are shareholder responsibilities in (or to) the corporation or others and what those responsibilities might be. Are shareholders responsible for corporate wrongdoing in any but a

(limited) financial way? If so, what should shareholders do about corporate wrongdoing? Shareholder activism is a phenomenon that sees shareholders attempting to influence the managerial direction of corporations—whether to be more focused on increasing shareholder returns or to pursue more or better corporate social responsibility initiatives. While some applaud the movement toward shareholder activism, others see it as undercutting one of the principal features of the corporation: the separation of ownership and control.

See also in CEBE:

- Corporate Governance
- Stakeholder

Further Reading:

- Henry Hansmann, *The Ownership of Enterprise*, 2000

Stakeholder

A **stakeholder** is any individual or group whose interests affect or are affected by the operations of a business. To have a stake simply means that one's interests intersect with those of the business.

Stakeholders may be thought of descriptively as features of a company's strategic terrain as the company seeks to navigate a path toward reaching its objectives. However, in business ethics, stakeholders are mainly thought of normatively as sources or objects of a company's ethical duties. Stakeholder *theory* is a point of view within business ethics, popularized by Edward Freeman, holding that a company's managers are ethically obligated to pursue jointly or to balance the interests of its stakeholders in the conduct of its business. This reflects the idea that companies create value through the cooperation of its stakeholders.

Stakeholder theory was offered initially as an approach to corporate governance; one operating in contradiction to the idea that managers' ethical obligation as managers is to advance the interests of a company's shareholders. More recently, it has been offered mainly as a theory of ethical management that may be compatible with managers' fiduciary duties to shareholders.

Although intuitively appealing, the stakeholder concept raises a number of questions that are difficult to answer. Skepticism about stakeholder theory is usually informed by the idea that one or more of these questions either cannot be answered or that stakeholder theory answers them in an implausible way: Who counts—that is, who are a company's stakeholders? What interests, held by those who count, ought managers to serve? What is balance, why is it valuable, and how is a manager charged with achieving it to know when it has been achieved or what activities promote it? Whether at the level of governance or of day-to-day management, how does recognizing individuals or groups as stakeholders figure in decision-making? How wide is the range of business ethics questions that can

be addressed satisfactorily by thinking about them in terms of the different interests of the stakeholders involved?

Further Reading

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- Chris MacDonald, "Review of Edward Freeman et al *Managing for Stakeholders*," *Business Ethics Quarterly*, 19: 4. (2009). 621-629
- Alexei Marcoux, "The Fiduciary Argument Against Stakeholder Theory," *Business Ethics Quarterly* 13(1) (2003): 1-24

Sustainability

The term "**sustainability**" is most often used in business ethics to refer to environmental sustainability. In its most general sense, environmental sustainability refers to the ability to make sustained (prolonged) use of some resource (e.g., by carefully managing a renewable resource like a woodlot). The most common use of the notion of sustainability in business contexts, perhaps, is within the term "sustainable development," which was famously defined in the *Brundtland Report* as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

In some cases, the term "sustainability" is used to refer to the sustainability of a particular company's methods of production and resource usage: a company's use of a particular resource (such as wood or water or a rare mineral) might be said to be "sustainable" if those activities are consistent with long-term access to that resource in the future. In this sense of the word, *sustainability* is part of the broader set of questions falling under the heading of *environmental ethics.*

There have been attempts to use the term "sustainability" to refer to much more than environmental sustainability. Some use it as a kind of placeholder for all positive behaviours by companies—including paying attention to the interests not just of shareholders, but of society more generally, and of the planet as a whole.

See also in CEBE:

- Environmental Ethics

Further Reading

- Anderson, Ray. Mid-Course Correction: Toward a Sustainable Enterprise: The Interface Model. Peregrinzilla Press, 1999.

- Newton, Lisa. *Ethics and Sustainability: Sustainability and the Moral Life*. Prentice-Hall, 2002.

Whistleblowing

Whistleblowing occurs when a member of a company goes outside of the company's normal lines of authority to report significant wrongdoing, typically either to government authorities or to the news media. In some cases, the word "whistleblowing" may be used to describe situations in which a member of an company merely goes "over the head" of his immediate supervisor in order to raise serious concerns with those higher up in the organization.

Whistleblowing is controversial because, while it is often aimed at protecting the public or important stakeholders (such as consumers) from harm, it also involves what looks, from a company's, a department's, or a particular manager's point of view, like a significant act of disloyalty. The metaphor of blowing the whistle summons the image of a referee calling a foul in a game—a far cry from being a loyal "team player" working to win the game for the team. Despite this imagery, social scientific studies of some actual corporate whistleblowers suggest they are often more loyal to their companies and the values of their companies than are typical employees. Their motivation for blowing the whistle is not to harm the company, but to save it from people who, through their wrongdoing, risk undermining the company and the values it stands for.

Many major companies now have, as part of their ethics and compliance programs, a whistleblowing "hotline"—a telephone number that employees (and sometimes others) can call in order to report wrongdoing. Some such hotlines can be used anonymously. Similarly, companies may have whistleblowing policies that seek to protect whistleblowers from retaliation by managers or co-workers on whom they blow the whistle.

Why do many whistleblowing hotlines allow employees to blow the whistle anonymously? This is generally because whistleblowing is often risky. Because it is so often (and often unfairly) seen as a

form of disloyalty, whistleblowers are often fired and subjected to other forms of retaliation. In some places, this has led to legislation forbidding organizations from firing or otherwise punishing an individual who, in good faith, blows the whistle on organizational wrongdoing (including, for example, employee health and safety violations).

See also in CEBE:

- Compliance
- Corruption

Further Reading:

- WM Hoffman, MS Schwartz, "The morality of whistleblowing: A commentary on Richard T. De George," *Journal of Business Ethics.*

White Collar Crime

The term **white collar crime** is typically used to refer to non-violent financial crimes committed by persons in business contexts. Standard examples include embezzlement and insider trading. The term “white collar” is a reference to the colour of the dress shirts traditionally worn by business professionals in the Western world.

White collar crime is relevant to the study of business ethics in several ways. For one thing, white collar crimes are generally behaviours that have been outlawed, but that once would have been thought of as ‘merely’ unethical. Insider trading, for instance, has always been unethical (since it involves taking unfair advantage of information gained by corporate insiders, for personal profit) but only became illegal in the United States in the 1930s. Another connection between ethics and white collar crime lies in the fact that certain behaviours might be either merely unethical or constitute white collar crimes depending on their scale: to take office supplies home for personal use might be thought of by some as merely unethical, whereas to take cash from a petty cash box would be considered *theft* of the white-collar type. Finally, it may be that employment contexts where unethical behaviour is common may be a breeding ground for white collar crime: where disregard for one type of rule becomes common, disregard for other types of rules may follow.

Critics have pointed out that while a moral distinction is often made between violent crime, on one had, and “mere” white collar crime on the other, this distinction is itself morally problematic. It has often been pointed out that a white collar criminal can steal a million dollars much more easily than a thug with a gun can rob a bank, but may do just as much harm while nonetheless being punished much less severely. White-collar criminals who get caught are often punished *differently*, too, by being ordered to pay restitution, or serving a short jail sentence in a minimum-security

facility. Reference to white collar crime may also be a way of implicitly making problematic class distinctions, since white collar crimes are more likely to be committed by professionals of high social status, whereas violent crimes are more likely to be committed by lower-status individuals.

See also in CEBE:

- Compliance
- Corporate culture
- Law
- Regulation

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