

## Business Ethics Midterm Exam

1. For each statement, identify which ethical theory (virtue ethics, deontology/Kantian ethics, consequentialism/utilitarianism, or feminist ethics) you think someone making that statement believes, and explain why.

A. If overall, people have benefited from the medication we have developed, then it doesn't matter that a very small number of people in the clinical trial suffered life-threatening side effects. /2

Answer: This is an example of utilitarianism that posits the Greatest Happiness Principle. According to this principle, only the happiness of the greatest number counts. In this case, since a maximum number of persons have benefited, it is alright to use the medication (Week 2 lecture ppt).

B. It is important to think about a business not just in terms of contracts but in terms of the relationships that are developed, and how they can be modeled on the ideal version of private relations like friendship and parenthood. /2

Answer: The Feminist theory applies in this case because according to the feminist theory, it is necessary to balance reason and emotions. In business transactions, everything cannot be reduced to profits or gains but also about caring and building ethical relationships (Week 2 lecture ppt).

C. My manager shows an ability to be balanced in her reactions, not showing too much or too little of any particular character trait, and I always try to follow her example in how to act. /2

Answer: Feminist ethics value feminine characteristics of caring, interdependence, trust, and sharing. She is demonstrating characteristics of feminist ethics in balancing reactions. Male managers typically have some character traits that they demonstrate more than the others (Week 2 lecture ppt).

D. If all researchers hid data that was unfavorable to the companies funding them, no one would ever trust research data with private funding, so we have an ethical obligation to publish our results even if they are unfavorable. /2

Answer: This is an example of deontology and Kantian ethics where one is duty-bound. One has to follow duty because according to Kant consequences do not matter only duty matters (Week 2 lecture ppt).

**2. Choose two ethical theories (virtue ethics, deontology/Kantian ethics, consequentialism/utilitarianism, or feminist ethics). What would each theory say you should do in the scenario below, and why?**

You and a friend have both been hired to work as servers at a small restaurant. After work one day, you notice that your friend has taken a bag of bread rolls that the restaurant serves with some meals. When you confront her about it, she says that she's short on money this paycheck and is taking them to make sure her son has something to eat tonight. She begs you not to say anything to your boss because she can't afford to be fired.

A. Ethical Theory 1 (state which theory you have chosen, how it would respond, and why):

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In this case, I would choose consequentialism, this is because my friend is not stealing money, but food items so that she can feed her son. Under consequentialism only consequences

matter. An action is right in proportion to the happiness it produces. By telling on my friend and getting her fired three consequences will happen, her child will go hungry, she will lose her source of income and I will lose a friend. By keeping quiet, I promote happiness for all three of us(Week 2 lecture ppt).

B. Ethical Theory 2 (state which theory you have chosen, how it would respond, and why):  
/3 to Kantian ethics, one must only follow duty. Following duty alone is the right action, regardless of the consequences. According to Kant, when confronted with a dilemma, one must apply the universal action formula. In this case, if I permit my friend to steal, then I must permit everyone to steal and this cannot be universally applied. Therefore, though my friend is in dire circumstances, I will report to the boss, that she has been stealing (Week 2 lecture ppt).

**3. In the following example, identify which moral agents should receive blame for the ethical wrong that has happened. Use the concept of moral agency developed by Kendy Hess to support your reasoning/3**

Eli is an environmental consultant for an oil company, determining the environmental impact of a new well that will soon be drilled near a protected wetland. The company has been trying to market itself as the green option among oil companies, putting quite a bit of public relations efforts into showing concern for environmental impact. At the same time, it is facing intense competition for good drilling sites.

A previous environmental impact evaluation determined that the wetland in question was far enough away from the drill site that it should not have any negative effect on the protected area. However, when Eli completes his evaluation, he determines that there is a minor risk of

groundwater contamination in the wetland. He brings this to the attention of his direct supervisor, who tells him it will be taken care of.

Three weeks later, Eli comes across documentation that shows the plan is still to drill in the same location, with no note about the environmental risk. This time he brings it to the attention of the department head, who tells him that because only one of the environmental impact evaluations found a risk, and that risk was minor, it was not worth the additional cost to move the drilling location. Finding a new location would require redoing months of work and preparation. Eli decides to let the issue go.

Six months later, a number of protected species of ducks that live in the wetland have died and more are showing signs of illness. An independent environmental agency has linked the illness to water contamination from the oil well.

Answer: The Corporate Moral Agency has three descriptions, which are as follows:

- Corporates act as if they want ‘a’ but desire ‘b’. This dichotomy explains the difference between their beliefs and actions.
- Their commitments and actions are in sync. They act out on their belief systems consistently and without any deviance.
- The employees, managers, and shareholder’s actions provide evidence of the unified set of commitments that guide these actions.

In this case, Eli brings attention to the environmental issue to both his direct supervisor and department head and their actions show where the commitment of the management to environmental risks lies. Thus, the third moral agent is compromised (Week 6 lecture ppt).

- 4. Read the following scenario, and answer the questions below using evidence from the class and the readings**

A company that produces a popular kind of baby food has had to shut down one of its manufacturing facilities due to quality control issues. As a result, there is a shortage of baby food on the market. One executive suggests using the situation as an opportunity to increase the cost of their most popular product since demand is high. A second executive argues that this is unfair and harmful to the customers, who may not be able to afford to feed their children, and that they should instead increase production in the other manufacturing facilities. A third executive suggests increasing the product cost but also partnering with a competitor to donate baby food to families in financial need.

A. Which of the executives do you think Milton Friedman would agree with, and why? /3

Answer: According to Milton Friedman, the social responsibility of a business is to increase profits. If businesses start promoting social ends, then this is socialism and against the principles of capitalism. Employees of a company have a responsibility towards their employers and their organization. They must make as much money as possible as long as they are upholding the societal rules.

Employees are agents of the business and when they undertake social responsibility causes, they are not acting in the interests of the employers. As they reduce returns to the shareholders.

In this case, Friedman would agree with the views of the first executive who proposes to increase the costs since the demand is high (Week 3 lecture ppt).

B. Which of the executives do you think R. Edward Freeman would agree with, and why? /3

Answer: Freeman's Stakeholder Theory of Modern Corporation shifts the focus from stockholders benefits to stakeholder's benefits. These are groups who have a claim or a stake in a company. While managers have a duty towards the stockholders, they have a fiduciary duty toward the stakeholders that involves earning the trust of stakeholders. Customers as they buy and use the company's products are stakeholders of the firm. They are vital to the success and survival of the firm. Managers must balance the claims of multiple stakeholders.

Freeman is most likely to agree with the second executive who is of the opinion that it is necessary to increase production in other manufacturing units while keeping the prices the same. By doing so both the stockholders and the stakeholder's (customers) needs will be balanced. For the former, the sales of the firm will remain constant and so will be the profitability and for the latter, they will not have to pay extra for the baby food formula(Week 3 lecture ppt)

**5. Read the following scenario, and answer the question below. /3**

In-country A, there is a small percentage of the current population who are fabulously wealthy, while everyone else earns only enough to survive and cover their basic needs. The currently wealthy have earned most of their wealth through voluntary, uncoerced exchanges based on fair business contracts. However, they only had the resources to engage in these business deals because they inherited property from family members, and there is evidence that those previous generations lied to get the land in the first place.

Would Robert Nozick consider country A a just society? Using evidence from the class and readings, why or why not?

Answer: According to Nozick's principle of Distributive Justice everyone is entitled to holdings as long as they are acquired and transferred justly. Then the person is entitled to their holdings. In this case the currently wealthy have acquired it through voluntary, uncoerced exchanges based on fair business contracts, however, the acquisition of the wealth is because their ancestors lied to get the land in the first place. Nozick is against inheritance and believes that there is no place for family ties, partiality, and desire to give assets as an inheritance. Wealth acquired in this way is unjust. Therefore, country A does not have a just society (Week 5 lecture ppt)

**6. Read the following scenario, and answer the question below. /3**

In-country B, each month everyone is sent \$7000 by the government, and no one can earn anything above that income (although they can spend it on whatever they want). In-country C, there is a small percentage of people that make \$100,000 a month, but everyone else earns between \$6,000 and \$10,000 a month.

Which of the two countries would John Rawls argue is more just? Using evidence from the class and readings, why or why not?

Answer: In Rawls thought experiment people operate under a veil of ignorance, where they do not know anything about race, social class, gender, etc. As they are unaware, but because they have self-interest, they will negotiate in such a way so that they achieve equality for all. This is the Equal Liberty Principle, where each person has an equal number of liberties. Even if there is the difference and there are economic and social inequalities, these are marginal and can be achieved by all.

In this case, because country B meets the above requirements (they all get the same amount of income) this country is more just. In-country C the differences in income are vast and it will be difficult for many individuals to bridge the gap, therefore country C is not just (Week 5 lecture ppt).

**7. Identify two kinds of alienation that Karl Marx would say is present in the example below, and explain why. /4**

Selma is a heavy-duty mechanic, who works on a specialized hydraulic system that is used in certain kinds of large machinery. Her work requires a lot of creative problem solving, and she went through several years of training to get the qualifications to do it. The work is completed on site, so she is sent to a different location each day and she rarely returns to the same place twice in a year. Among her co-workers, she only really knows her direct supervisor and the office administrator who arranges her schedule and pay. She also rarely has a chance to talk to the employees on the job sites, and often doesn't know the details of the work being done there unless it is directly related to the machinery she is working on.

Answer: Selma is a heavy-duty mechanic, who works on a specialized hydraulic system. Every day she is sent to a new site and rarely visits the same place. She does not have a chance to talk to the employees nor does she know the details of the work being done there. According to Karl Marx, she is an alienated worker in two senses which are:

- Alienation from productive activity: This happens when the workers perform highly repetitive, monotonous tasks and they do not have any understanding of how they are involved in the total process. This is exactly how Selma functions now, jumping from



place to place, solving problems, but without any idea of the details of the work being done.

- Alienated from other human beings: This happens when workers do not conceive or lead lives as normal people, who earn money, spend it and enjoy lives or pursue self-interests. Since she hops to a new place every day, she does not get a chance to talk to fellow employees or form relationships, or lead a normal life like everyone else (Week 7 lecture ppt)

8. **Answer the following question, and provide an argument using evidence from at least two of the authors we have discussed in this class to support your position (this will be evaluated on how well the evidence you provide supports your answer). /7**

Is ethical decision-making necessary for a successful business?

Answer: According to Amartya Sen argues that an organization that is simply profit-centered would tend to ignore or resist looking after the interests of others such as workers, customers, or associates. However, those organizations that had ‘economic sense’ or who would embrace ethical practices in business would understand that doing so and having concern for others indirectly increase the profits of the firm. For example, happy workers would not want to leave the organization and the organization would not have to continuously spend money on recruitment, or they would not go on strikes. This economic sense can be applied to other aspects of management such as being fair to the customers or having transparent relations with other stakeholders like suppliers. Adopting ethical decisions is necessary for the firms as they indirectly add to the firm’s profitability (Week 4 lecture ppt)

According to Edward Freeman, businesses are not only about the stockholder but for the stakeholders as well. Shareholders/ stockholders who own the shares in an organization do have

some rights and privileges. But just as the company's management has a duty to the shareholders, they owe a fiduciary relationship with the stakeholders which are built on trust. Stakeholders also have a claim on the firm, but more importantly, they are vital to both the success and the survival of the firm. Moreover, stakeholders can be a number of identities or interests such as local communities, the suppliers, the customers, or the government. If the interests of stakeholders are not factored the company may neither be successful nor survive in the long term. Therefore, it is necessary for companies to practice business ethics and have a ethical decision-making process (Week 3 lecture ppt)