

# Case Study of Business Ethics: from Individual, Corporate & Global Points of View

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**Abstract:** This paper makes discussion on business ethics via various cases from individual, corporate & global points of view. Through case study, the paper is trying to arouse people's attention to business ethics. Simultaneously, the author's opinions and comments on the cases are showed and developed here in this paper.

## 1. Introduction

There have been several issues that have surfaced where business executives have been caught exercising questionable ethics. There is a fundamental problem with ethics. Ethics are subjective. No one set of ethics can govern us all. It would be a futile attempt to try to implement into business a set of ethics for all to follow, ethics come from within.

### 1.1 Business Clouds Ethics

It seems it would be more reasonable to identify what causes unethical behavior and to make an attempt to curtail these contributing factors. The fact is corporate business has a narrow focus for measuring success and is ignorant to the total costs and/or benefits of its selfish nature. This influences the executives who, act as agents of shareholders, and are under considerable pressure to meet targets of growth and profitability. The decisions and actions they make are heavily influenced by this pressure. Business is slow and static in recognizing the growing social and environmental costs associated with operations. The objective of business clouds the benefits of recognizing these benefits and causes management to ignorantly act unethically. The root of today's ethical concerns stems from the demand and pressure to not only satisfy investors but to maximize shareholders' wealth.

### 1.2 Structure of This Paper

There has been increasing attention devoted to business ethics, which for the purpose of this paper will be discussed from individual, corporate & global points of view. As to how moral standards are applied to business decisions and behaviors, it oftentimes toughens when decisions and behaviors are ethically challenged. Examples of unethical behavior include deceptive advertising and influence peddling. While ethics has become a popular topic shared by the mass, there should be filed case studies related to ethics from a diverse cultural perspective. Research has been conducted addressing international business operations. However, these have focused on behaviors but not perceptions. The purpose of this paper is to report an exploratory study on honesty or perception of ethical issues and ethical decision-making from diverse perspectives, which are basically individual, corporate & global points of view.

The author's opinions on how each of those issues should be resolved will be presented. If possible, the author will make further probing to develop his viewpoint. For example, whether the issues will be resolved and when, who will be the driving force in resolving them, etc. In addition, though the names here are mostly foreigners', the cases are usual in China as well.

## **2. Individual Point of View**

Our daily life is full of both agreement and disagreement which are based on the three logics of rights, justice or utilitarian. Scholars love to divide people into four kinds: economic person, sociable person, complex person and self-automated person. When meeting ethical issues, an economic person tends to choose egoism while a self-automated person is probable to choose altruism. But the rule is definitely not so simple.

### **2.1 Winter's Case**

Supposing Winter has just been fired by his boss for unfair reason or the reason he deems unfair. To retaliate, Winter could release the business secrets he knows about his boss to the public or the boss's competitors. Winter could also set up his own business by using resources accumulated from previous working for the boss; for example, to persuade the clients to choose his service. If possible, Winter could even reprimand his boss in court.

Such affairs are hard to tell beforehand, as one could not prophet whether his boss or colleagues will become his personal enemy or not. If one keeps hostile to others when engaging work, the most probable thing will be that he himself becomes the public enemy. Who is willing to behave in this way?

Just as we've mentioned in the above, ethics are subjective. Both individual and corporation can not control the other side's inside heart world. Unlike sciences or things like that, ethics are almost different in everyone's eyes. That's also the reason why Winter deems it's unfair that he's got fired, but his boss or colleagues takes it for granted. An eye for an eye; if Winter thinks his boss is unethical, he will take similar actions unethical to teach the boss a lesson. In this case, the most both parts could do is only to strengthen communication and try to avoid or diminish potential misapprehension.

It's hard to alter others concept of ethics. When ethical conflicts are happening to or between individuals, it's unwise to remodel the other part's basic concept of ethics. That'll only be futile. But this doesn't mean we can do nothing to ethical dilemma. Take Winter's case as an example, he may ask for an explicit explanation from his boss but not remains mute and just guess why it's so. He may protect himself by legal ways such as resorting to labor arbitration commission. Inconsiderate unilateral actions could easily lead situation to an even tougher extent. What's more, everyone needs to cultivate his or her EQ to accommodate accidental affairs. If the law or game rules are abided voluntarily, probability of ethical conflicts' happening will decrease to a lower degree. And if everyone is friendly & amiable to others, the probability will drop to its minimum degree. In China, it must be a long way to go.

Analysis of the following individual scenarios could possibly indicate that ethical conflicts are more likely to happen to economic person or who is utilitarian. However, the variance in people's responses to ethical conflicts is verified correspondent to an even more complicated situation. So now let's have a look at scenarios and taste how complicated the situation is.

### **2.2 Scenario A**

Fast Trucking has just changed its insurance company. In determining the insurance rates, safety practices and the driving records of all drivers were reviewed. Tony, a seven-year veteran driver who has won several driving awards, was found to have several driving violations in his personal vehicle. He had not reported these to Fast Trucking as was required by company policy. Although the insurance company permits a small number of drivers with driving violations, Tony was dismissed.

Author's opinion: Tony concealed his shameful record to retain his post in work. His motive is easy to detect, so this case is no doubt a simple one. Since the insurance company permits a small number of drivers with driving violations, Tony is likely to save his post if he's honest to Fast Trucking. No one can elude from wrong doing. But his attitude after mistakes done plays a very important role when he is to be judged or appraised. Perhaps former deception represents nothing, but present deception could tell that whether a person is promising or not. Here Tony is advised to face to his history and be active to transform it into future success.

### **2.3 Scenario B**

Rich has been the manager of Northeastern Regional Operations for ten years. One of the company's suppliers recently presented him with a small television (¥225 retail). Company policy is that all gifts worth more than ¥200.00 must be declined and the supplier reported to headquarters. Other regional managers have followed this policy. Rich accepted the television after the supplier showed him the wholesale invoice for ¥98. Rich's superior told him to return the television.

Author's opinion: Such case is quite usual in China, and even deemed so trivial that no need to touch by Chinese people. Bribery is terribly popular in China. People just take it for granted and avoid being disclosed. Rich's case would be considered 'a small case'. But big cases are just constructed on such small ones. If the small ones could be stopped timely, there wouldn't be so many titanic corruptive officials. Because other regional managers have followed that policy, Rich has no excuses to be an exception. He should return the television immediately. Here the author wants to add in another sentence: if some one in China really does so, that is to return the television set, it would be thought as a strange behavior.

### **2.4 Scenario C**

Q-Industry is a major customer of your trucking firm. Having begun a J-I-T system, they have stressed to you the importance of timely delivers. Hallas, the regular scheduled driver for the Q-Industry run, had done his pre-trip inspection and feels that the tractor is unsafe and should be put out of service. However, the tractor had passed its regular inspection two weeks ago and to re-inspect it now would cause serious service disruptions at Q-Industry. Hallas is excused from driving and hillas, a driver who has worked only sporadically during the past three months, is offered the trip. Hillas is made aware of Hallas' concerns; however he drives the truck to Q-Industry.

Author's opinion: Hallas is a cautious person according to the above. He faces a dilemma that need him to balance service quality and business fame. Commonly, we take the two as coincident with each other. But in fact they're inevitably contradictive for various reasons uncertain. Hallas prefers quality to fame. Though he will lose the temporary business fame, he is to consider comprehensively for the long run. Hillas is standing on the other pole. He knows there's risk, but still take it. His boldness should be approved. He could possibly survive the probable accident, but his way of action is to lead him to a more dangerous terminal. We may call it vocational spirit, which often appears with ethical problems.

### **2.5 Scenario D**

Pinny is a vendor in the market, but he could not pay for a whole shop rental. So Pinny has to cooperate with Penny, an independent shop owner. To occupy a room in Penny's shop, Pinny promised to pay for the shop's electricity bill. Pinny is successful in his business. His daily income is coveted by Penny. Then Penny and his family members began to increase their electricity consuming, as naturally aggravates Pinny's burden. And Pinny is by no means willing to see it. A quarrel is destined to happen. No matter who is the final winner, both parts are losers to some extent.

Author's opinion: Transaction can not be done by a single part. An agreement must have at least two parts. Then mutual understanding becomes necessary. Sincerity & honesty is the foundation of a contract. Penny is envious of Pinny's prosperous business. But his behavior is really unwise or even foolish. It can only corrupt bilateral cooperation. From Pinny's point of view, he is financially limited. So he has to rely on another one, here is just Penny. According to trading rules, a price he must pay. And Pinny also acknowledges it. The dispute lies on how much the price should be. Both parts couldn't foresee the prospect precisely – that's quite normal. So the division of cost sharing is implicit. This lays the latent contradiction of future dispute. If we can not tell whether the trading price is appropriate or not, we may make it an installment pay with payment in each period is certain. At least this will not produce disagreement during contract term.

## 2.6 Scenario E

Invited to come to Shanghai for an interview with all expenses paid, Chen, a recent graduate with heavy student loans decides to stay with his girl friend in the area and report that he stayed in a ¥800 a night hotel. He is not asked to provide any receipts. Chen is more like to take summer vacation than to participate in an interview.

Author's opinion: Post consumption is common in a company. To a student, it's a splendid vocabulary. To a manager, it's natural and rational. But there do exist such phenomenon that post consumption is abused by specific motives. A dinner cost ¥300 would be reported ¥5000 while the extra is digested privately. Restaurants in China especially know of it. So the receipt could be produced according to customers' requirement as long as they are willing to pay some tip for it. Chen is going to have a job. But here he is too eager to enjoy post consumption. What makes it even worse is that the way he behaves is more of deception. To eradicate this phenomenon is almost impossible in hodiernal China. First it needs a meticulous constitution stipulated by company. Second it requires powerful execution and supervision. Another point shouldn't be neglected is improvement of staff's respect to their profession.

## 3. Corporate Point of View

It should be agreed that managers in business especially in China often engage in behaviors that is considered unethical. They would mostly excuse that in order to succeed in business, it's often necessary to compromise one's ethics. Corporations are declaring that unethical behaviors will not be tolerated by them but their top managements are actually defaulting such behaviors. And this naturally draws out another question: If a manager in a business is discovered to have engaged in unethical behavior that results primarily in personal gain (rather than corporate gain), should he or she be promptly reprimanded? To step even further, if a manager in a business is discovered to have engaged in unethical behavior that results primarily in corporate gain (rather than personal gain), should he or she be promptly reprimanded?

### 3.1 Jack's Case

Jack used to be a clerk in Mercy Company. But Jack is so unlucky that he has just been fired by the company. Though now he doesn't belong to Mercy Company, data about his important personal information are left there or could be easily got by his colleagues or superiors. This means he's still in danger of being betrayed by his previous employer. Supposing he used to register a phone number by name of himself but actually for benefit of his company, his leaving could bring some 'gray chances' for Mercy Company. The company could go on using that phone number under Jack's name; it could also stop it at any time. But, say, if the company cancels it one month after Jack's leaving; or the company makes many distant phone calls thus exhausts a large amount of money, Jack's risk is emerging then. As long as Mercy Company refuses to pay for the bill, the responsibility is to be taken by Jack himself. Even if Jack is working happily in another company and enjoys his life, leaving Mercy a good memory on his mind, the probable burden on him has never disappeared. The longer the period is, the larger his legal burden is, for there's legally a late fine for delayed payment.

Jack is really unlucky. Mercy Company indeed refuses to pay for the expanded bill five years later, which has 'grown' to over thirty thousand dollars, whose principal is about 1000 dollars, added late fee of scores of times of the principal.

Morally it should be due to Mercy Company, though the administrative part can only resort to Jack for he's the number's nominal owner. Perhaps Mercy Company was willing to pay the bill at the very beginning. But to accept it now means what is quite clear. Certainly Mercy Company is reluctant to burden it. But is it fair to Jack? Of course it's more serious to an individual more than to a company. If Mercy Company insists irresponsible to the bill, Jack has no other ways but to pay for it. Mercy Company would elude its due liability in this way. Actually bosses or employers are 'compressing' employees by doing similar things.

Can Jack get rid of this dilemma? Probably not, since the situation he's facing to is so serious. Legally he is a contract part, while Mercy Company is an irrelevant party. If Jack could present the proof that verifying he's deceived by Mercy or he's innocent in the case, perhaps he could guard his interest from being infringed. But it must be an arduous way, because from the very beginning he's the first undertaker of that bill.

We could condemn Mercy for so crafty cheating behaviors. It could really save a great loss from transplanting liabilities to else parts. The conclusion we could draw from it is only that Mercy is unethical. Trust or belief is what we encourage in enterprise management. If everyone is suspicious to others or even the company he's serving for, the result of the whole company operation would be definitely bad! The so-called corporate culture bewilders staff, employees are confused. If you're working for such a company, how do you feel? If you're a manager of such a company, what would you advise to the boss?

### **3.2 Some Others**

If you think Jack's case is normal, the following cases would be taken for granted as well. Looking into them will give us some hints & thoughts.

A bank loan officer routinely passes the names of people applying for home improvements loans to her brother-in-law in the home improvement business to contact as prospects.

A supplier that had always been reliable was in temporary financial trouble and could no longer submit the lowest bid; a sympathetic purchasing agent revised the specifications so that this supplier would have the successful bid.

A secretary is fired for failing to follow instructions from her boss to secretly record telephone conversations with callers so that the information can be used for follow-up solicitations.

A computer manufacturer makes it a point to interview recent graduates who have worked summers with competitors; most of these applicants are not seriously considered for employment, but the company occasionally gains some valuable information.

A printer who does work for a large investment bank learns of an impending takeover that the bank is financing and decided to buy a small amount of stock (all he can afford) in the company being taken over.

### **3.3 The Author's Opinion**

In the author's opinion, the striking cases are always the gaming between groups when unethical behavior resulted in corporate gain versus personal gain. While both groups agreed to some degree, we could call it a team or an enterprise. Being in charge of a corporation, a manager should undoubtedly balance corporate and individual interests. Jack's story is not scarce in China. Eradication of such phenomena is up to decision-makers' righteous & sensible behaviors. Compared to it, effect of contract parts that are directly interested tends to be weaker.

## **4. Global Point of View**

It's no coincidence that the top automobile company, Toyota, also has the best corporate social responsibility platform. Every business's website, from chain restaurants to investment banks, has a link to a page detailing its social responsibility initiatives. Business ethics has been redefined as more than following the rules. These days, business ethics means taking the next step to ensure that the world is sustainable for future generations. In fact, maintaining a strong sense of corporate responsibility is just as important to a business as selling a good product. Internet which is a global storm makes selling product easier than before. A touch on the keyboard can easily complete a transaction. But the convenience also brings some trouble. Ethical issues come after that just like its cousin or twin.

### **4.1 New era effect**

Gone are the days when the corporation could get away with profits at any cost. Now, shareholders demand to know where profits come from and where profits are going. The information age has made



corporate scandal a much more public event, and shareholders are demanding to know every step of the value chain. Now, in the information age, the cost of irresponsibility is much more than the profits made as a result.

The nearly free and efficient flow of information has had a profound impact on the business world. One wrong move can travel to shareholders, stakeholders, and the rest of the world within moments. Imagine that a story leaks about a firm with a previously unblemished reputation that actually uses child labor — defined vaguely in business reports as ‘outsourcing’ — to keep production costs low. Within minutes, the business’s largest shareholders in Asia, Australia, and England have found out about the incident. Simultaneously, its competitors in America have heard the news. The next thing it knows, the business has lost its managers (who have just as quickly been fired by the board) as well as its reputation. And unlike the speed and ease of ruining a reputation, rebuilding one has become more painful and time-consuming. Thus, the cost of a mistake as a result of failing to care about business ethics is much more deadly than ever before.

If you don’t believe the rhetoric, look at the statistics. *The Jungle*, which revealed the horrors of the meat industry, first disgusted readers in 1905. *Silent Spring*, which exposed the dangerous consequences of pesticides to human health, stunned the world in 1962. And recently, *Fast Food Nation*, detailing the impacts of preservatives in fast food, continues to shock readers after hitting the shelves two years ago. It’s not rocket science to see that customers care more than ever about social responsibility issues. And as the impact of this transfer of knowledge becomes more profound, a business’s ability to recover from an ethical ‘slip’ becomes less likely.

Taxation could be eluded through transaction via Internet. Both sellers and purchasers are glad to see it. But national interest will get infringed. So such ethical problem is even serious especially when transnational transactions are done on Net. Negligence is no longer an excuse, nor is ignorance. The fall of the giants, such as Enron or WorldCom, has done more than show that business is not infallible. It has created doubt in the public, and caused the rise of skepticism. Thus, in order to win back the trust of its stakeholders, corporations must prove a conscious and deliberate effort in upholding the highest standards of business ethics.

## **4.2 International trade**

International trade demands uniformity of game rules between interested countries. But since they belong to different regional communities or organizations like that, it’s always difficult to make it flat to a simple level.

Supposing German gas corporations are rushing into Chinese market to earn a share of the big cake. Too much import would definitely bring damage to Chinese home gas industry. So it’s understandable that China lays trade obstacles of German gas import for reason of its sudden hike. Story seems to end here, but actually it’s only a start. Several months later, China is surprised to discover that gas import from India, Singapore and Malaysia rises to an unbelievable degree while the quantity relevant to German remains calm. Further investigation will disclose the truth that German corporations are using their overseas subsidiaries in the above countries to export their gas to China. The role India, Singapore and Malaysia play here is just a second deliverer. How sly German is! Is it ethical? Will Chinese yield to German? If Chinese keep silent, a greater loss they will suffer. If India, Singapore and Malaysia are added into the list of unfriendly countries, an even greater trade battle or quarrel is to start at any moment.

Here China is the defender, while German is the attacker and India, Singapore & Malaysia are German’s accomplices. Market interest will be shared by the attacker and his accomplices at the price of Chinese national industry’s shrinkage. From global point of view, it’s unethical indeed.

Standpoint of a country must be quite different from that of one person or a company. A country shouldn’t be sued in court for he represents the sovereignty. But the sad story is always that the sovereignty is utilized to serve for a small part. China could also shut it doors to those countries, but that is of no help to their citizens in the long run. If negotiation can not solve the problem, perhaps mediating between countries becomes the final choice.

Actually such cases used to happen to China and other countries. The fact is that: if you surrender, you're doomed to lose, or even lose more. So disputes between countries are hard to solve. Each side tries to guard its national interest, as decides the negotiation is always an arduous process. The author is proud that though China used to suffer from it, now Chinese people have learnt from past experiences and could manage well in international stage.

### **4.3 A Sustainable Future**

Ultimately, business ethics are important because they are becoming more and more fundamental to the nature of business. As business expands and the world becomes smaller and more accessible, corporations must heed the resounding call for corporate social responsibility. And by adhering to an ethical, forward thinking plan that incorporates the environment surrounding the corporation, businesses can guide its way to a more sustainable future.

## **5. Summary**

Business ethics is a recognized challenge and associated with that challenge is the possible differences in perspectives of role of ethics, ethical issues and even ethical decision-making logic due to cultural diversity. The results of this case study from individual, corporate & global points of view support a conclusion that differences in perceptions may exist in all three aspects, some could be dealt with by individual human being, but mostly they demand concern of the whole society.

It is absolutely necessary for the future of business and society in general. If corporations don't pay attention to business ethics, they will be unable to continue doing business. The question of sustainability has become a resounding fact and desperate plea: as companies and industries grow, the only way for them to provide a foundation for long-term growth is by behaving ethically and responsibly. This requires minimizing costs at the lowest impact to the environment, raising profits by engaging and giving back to the community, behaving ethically to establish the trust of stakeholders, and looking at other consequences of a business plan than simply financial ones. Only by doing this can business ensure that there will be a future for it. And of course corporations will be the driving force in resolving these issues.

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