Instructor Manual

Miller, Business Law Today – Comprehensive Edition: Text and Cases 13e 2022, 9780357634783; Chapter 3: Ethics in Business

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# Purpose and Perspective of the Chapter

The purpose of this chapter is for students to think critically about both legal and ethical issues. One of the most complex issues that businesspersons and corporations face is ethics. Ethics is not as clearly defined as the law, yet is can substantially impact a firm’s finances and reputation, especially when the firm is involved in a well-publicized scandal. Thus, students will learn how making ethical business decisions is crucial in today’s legal environment.

# Cengage Supplements

The following product-level supplements provide additional information that may help you in preparing your course. They are available in the Instructor Resource Center.

* Transition Guide (provides information about what’s new from edition to edition)
* Test Bank (contains assessment questions and problems)
* Solution and Answer Guide (offers textbook solutions and feedback)
* PowerPoint (provides text-based lectures and presentations)
* Guide to Teaching Online (provides technological and pedagogical considerations and resources for teaching online)
* MindTap Educator Guide (describes assets in the MindTap platform with a detailed breakdown of activities by chapter with seat time)

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# Chapter Objectives

The following objectives are addressed in this chapter:

1. Differentiate between ethics and business law.
2. Define the different theories of ethics.
3. Identify how to remedy unethical behavior.
4. Explain the financial and non-financial costs of reported and unreported unethical behavior to a business.

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# Key Terms

**Business ethics**: the application of moral principles and values in a business context.

**Categorical imperative**: an ethical guideline developed by Immanuel Kant under which an action is evaluated in terms of what would happen if everybody else in the same situation, or category, acted the same way.

**Corporate social responsibility (CSR)**: the idea that corporations can and should act ethically and be accountable to society for their actions.

**Cost-benefit analysis**: a decision-making technique that involves weighing the costs of a given action against the benefits of that action.

**Duty-based ethics**: an ethical philosophy rooted in the idea that every person (and every business) has certain duties to others, including both humans and the planet.

**Ethical reasoning**: a reasoning process in which individuals link their moral convictions or ethical standards to the situation at hand.

**Ethics**: moral principles and values applied to social behavior.

**Moral minimum**: the minimum level of ethical behavior expected by society, which is usually defined as compliance with the law.

**Outcome-based ethics**: an ethical philosophy that focuses on the consequences of any given action in order to maximize benefits and minimize harms.

**Outsourcing**: the practice by which a company hires an outside firm or individual to perform work rather than hiring employees to do it.

**Principle of rights**: the belief that human beings have certain fundamental rights.

**Stakeholders**: groups that are affected by corporate decisions; stakeholders include employees, customers, creditors, suppliers, and the community in which the corporation operates.

**Triple bottom line**: a measure that includes a corporation’s profits, its impact on people, and its impact on the planet.

**Utilitarianism**: an approach to ethical reasoning in which an action is evaluated in terms of its consequences for those whom it will affect; a “good” action is one that results in the greatest good for the greatest number of people.

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# What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

* New Managerial Strategy: *The Stakeholder Capitalism Movement*
* 1 New Numbered Case Example:
  + on fostering unethical conduct from 2019 case

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# Chapter Outline

*In the outline below, each element includes references (in parentheses) to related content. “PPT Slide #” refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoints section of the Instructor Resource Center). Introduce the chapter and review objectives for Chapter 3 (PPT Slide 3).*

I. **3-1 Ethics and the Role of Business** (PPT Slides 5-17)

* 1. **The Relationship of Law and Ethics**
     1. The government has created some ethical rights and duties through the passage of laws and regulations.
        1. **Example 3.1** The Fraud Reduction and Data Analytics Act
        2. **Example 3.2** Dodd-Frank Wall Street Reform and Consumer Protection Act and Sarbanes-Oxley Act
           1. Gray Areas in the Law
           2. The Moral Minimum

**Case Example 3.3** Rick Scott

* + - * 1. Private Company Codes of Ethics

**Example 3.4** Google

* + - * 1. Industry Ethical Codes
  1. **The Role of Business in Society**
     1. The perceived duty of a corporation was to maximize profits and generate revenues for its owners.
        1. Business as a Pure Profit Maximizer
        2. Business as a Corporate Citizen
        3. A Four-Part Analysis
  2. **Ethical Issues in Business**
     1. Businesspersons should exhibit integrity in their dealings with other people in the company, other businesses, clients, and the community. By being honest and treating people fairly, businesspersons will earn their trust.
  3. **The Importance of Ethical Leadership**
     1. The duty to practice ethical business starts with top management.
        1. Attitude of Top Management
        2. Unrealistic Goals for Employees
           1. **Case Example 3.5** Morgan Stanley Smith Barney, LLC
        3. Fostering of Unethical Conduct
           1. **Case Example 3.6** Rachel Maddox

II. **3-2 Ethical Principles and Philosophies** (PPT Slides 18-25)

1. **Duty-Based Ethics**
   * 1. Focuses on the obligations of the corporation.
        1. Religious Ethical Principles
           1. **Example 3.7** Thou shall not steal
           2. **Example 3.8** Bright Futures
        2. The Principle of Rights
           1. Conflicting Rights
           2. Resolving Conflicts

**Example 3.9** Murray Chemical

* + - 1. Kantian Ethical Principles
         1. People Are Not a Means to an End
         2. The Categorical Imperative

**Example 3.10** CHS Fertilizer

1. **Outcome-Based Ethics: Utilitarianism**
   * 1. Focuses on the consequences of an action, not on the nature of the action itself or on any set of preestablished moral values or religious beliefs.
        1. Cost-Benefit Analysis
        2. Problems with the Utilitarian Approach
           1. **Example 3.11** Phazim Company
2. ***Knowledge Check Video Activity (1) PPT Slide: 2 ½ minute(s) total (5 minutes with discussion and review of video).*** *Tests students’ knowledge of duty-based view of ethical reasoning versus outcome-based view of ethical reasoning. After answer is provided, review with students the differences in the two views. Also, discuss which view supports the ACA.*
3. **Corporate Social Responsibility (CSR)**
   * 1. Combines a commitment to good citizenship with a commitment to making ethical decisions, improving society, and minimizing environmental impact.
        1. The Corporate Aspects of CSR
           1. **Example 3.12** Ben & Jerry’s
           2. **Example 3.13** Google
        2. The Social Aspects of CSR
           1. **Example 3.14** Cisco Systems, Inc.
        3. Stakeholders and CSR

III. **3-3 Sources of Ethical Issues in Business Decisions** (PPT Slides 26-28)

1. **Short-Term Profit Maximization**
   * 1. In the short run, a company may increase its profits by continuing to sell a product even though it knows that the product is defective.
        1. Case Example 3.15 Volkswagen
2. **Social Media** 
   * 1. Ethical and legal disputes can arise for posting statements that others interpret as harassing, inappropriate, insulting, or racist.
        1. The Use of Social Media to Make Hiring Decisions
        2. The Use of Social Media to Discuss Work-Related Issues

The Responsibility of Employers

Example 3.16 Costco

The Responsibility of Employees

1. **Awareness**
   * 1. **Case Example 3.17** Takata Corporation
2. **Rationalization**
3. **Uncertainty**

IV. **3-4 Making Ethical Business Decisions** (PPT Slides 27-28)

1. **A Systematic Approach: IDDR (“I Desire to Do Right”)**
   * 1. This process can help eliminate various alternatives, and identify the strengths and weaknesses of the remaining alternatives.
        1. Step 1: Inquiry
        2. Step 2: Discussion
        3. Step 3: Decision
        4. Step 4: Review
   1. **Applying the IDDR Approach—A Sample Scenario**
      1. **Example 3.18** Duane Reade
         1. Step 1: Inquiry
         2. Step 2: Discussion
         3. Step 3: Decision
         4. Step 4: Review

V. **3-5 Business Ethics on a Global Level** (PPT Slides 29-33)

1. **World Religions, Cultural Norms, and Ethics**
   * 1. Global businesses need to be conscious of the impact of different religious principles and cultural norms on ethics.
2. **Outsourcing**
3. **Avoiding Corruption**
4. **Monitoring the Employment Practices of Foreign Suppliers**
   * 1. Wages and Working Conditions
        1. **Example 3.19** Noi Supalai
     2. Corporate Watch Groups
        1. **Example 3.20** Apple

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# Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. **Discussion – Ethics and the Role of Business (PPT Slides 5-17). Duration 15 Minutes.**
2. **How does a law come to be an expression of an ethical principle?**
   1. A law is what society deems proper be­havior. An ethical value is also an expression of what is considered appropriate conduct. When peo­ple wish to enforce or change an ethical value, they often politicize the issue, urging politicians to create or amend a law. When the law changes, it more effectively represents the ethic that served as the impetus for its change.
3. **What should the attitude of top management be?**
   1. To demonstrate its commitment to ethical decision making. A manager who is not totally committed to an ethical workplace will rarely succeed in creating one. More than anything else, top management’s behavior sets the ethical tone of a firm.
4. **In negotiating a business deal, is “strategic misrepresentation” permissible? Do you have to disclose ev­erything?**
   1. These questions concern the ethical conflict inherent in a business context. From a duty-based ethics viewpoint, in an absolute sense, it would be unethical not to disclose information on which the negotiator knows the other side might hinge its decisions. In contrast, a negotiator owes an ethical duty to ne­go­tiate in the best interests of whomever he or she is negotiating for. When one ethical duty conflicts with an­other, a decision has to be made as to which duty is more fundamental. Frequently, questions faced by busi­nessper­sons do not have clear-cut answers, but involve choices between arguably equally good alternatives. This fact is, in part, the reason for employing a method such as the IDDR approach to evaluate those alternatives. A thoughtful consideration of an ethical issue and the choices for resolving it, the decision to act on one of those choices, and a careful review of its results can lead to more effective (and profitable) practices by any businessperson. Furthermore, the IDDR approach might be used to fully answer any of these Discussion Questions.
   2. It has been suggested that business is a game and deception is an important element of negotiation, just as poker is a game in which bluffing plays an important part. The better an individual is at deception, the more successful he or she will be at negotiation. Those who do not anticipate deceit are fooling themselves. One of the problems with this suggestion is that there is no stated point at which deception is no longer ac­cept­able. By comparison, in poker, it is acceptable to attempt to confuse other players as to the cards you have been dealt, but it is not acceptable to bribe the dealer to deal you better cards. Also, if deception were widely prac­ticed, the expense of protecting against it would increase for business and society.
5. **Why would a corporation prefer to be seen as ethical?**
   1. Consumers may be less willing to buy prod­ucts of companies that appear to be unethi­cal. Investors may prefer to invest in a firm that is perceived as ethically responsible. Suppliers may prefer to do business with ethical firms. In other words,socially re­sponsible activities can improve profits.
6. **Discussion – Ethical Principles and Philosophies (PPT Slides 18-25). Duration 15 Minutes.**
7. **Does a company have a duty to act in socially or politically benefi­cial ways?**
   1. There is no agreement as to whether a company has a duty to act in a beneficial way. In deciding whether to do so, a com­pany should consider the appropriateness and feasibility of an activity, the extent to which it will help the company, and whether expected gains will justify expected costs. Management must be prepared to ex­plain its decision to shareholders and the public.
8. **How does a corporation’s investment in a political or social agenda affect its duty to its shareholders?** 
   1. People invest in business to make a profit, and a company’s shareholders may have such a va­riety of political and social views, which makes the company’s chase for a particular political or social goal be divi­sive. Diverting corporate funds reduces the amount available for dividend payments. Diverting other resources reduces what is available to produce goods and services for sale. Investors may also be less likely to invest in a company that engages in behavior seen as unethical out of fear of consumer hostility toward the company.
9. **To whom might a corporation owe a duty?** 
   1. A corporation may owe a duty to its shareholders, its em­ployees and their families, its customers, and society as a whole. **What must a corporation do if it finds itself subject to conflicting duties?** There is no law that says which of these duties comes first or how much weight should be given to each in the balance. When there is no conflict between duties, the ques­tion of how best to fulfill a single duty involves trade-offs. When these duties overlap, a balance must be struck. Determining which duty takes precedence involves difficult trade-offs.
10. **Discussion – Sources of Ethical Issues in Business Decisions (PPT Slides 26-33). Duration 10 Minutes.**
11. **What us the responsibility of employers with regards to social media rules?**
    1. Per the National Labor Relations Board (NLRB) ruling, employees can freely associate with each other and have conversations about common workplace issues without employer interference. This right extends to social media posts. Therefore, an employer cannot broadly prohibit its employees from criticizing the company, co-workers, supervisors, or managers via social media.
12. **Do businesses have an ethical duty to use enhanced security measures to protect confidential customer information? Why, or why not? For example, if an employer allowed its employee to store customers’ unencrypted personal information on a laptop outside of the office, would this violate any ethical duty?**
    1. Yes, because the information has been entrusted to their care and the theft of such infor­mation is well known. From an ethical standpoint, customers may be less willing to do business with a firm that does not protect such information. No, so long as the firm that possesses the data does not itself misuse it, because any theft or misuse that might occur would be an illegal (unethical) act on the part of its perpetrator, not the possessor.
13. **What is the difference between legal and ethical standards? How are legal standards affected by ethical standards?** 
    1. Legal standards are greatly affected by ethical standards, and there are areas common to both. Killing another human being, for example, is rarely sanctioned by law and is commonly prohibited by reli­gious and secular beliefs. However, legal and ethical standards are not the same. The law does not codify all ethical requirements. An action might be legal, but un­ethi­cal. Compliance with the law does not always equate with ethical behavior.

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# Additional Activities and Assignments

1. **MindTap –** Why Do Ethics Matter to Me?
   1. Online auto-graded activities connect the upcoming chapter to an authentic, real-world scenario designed to pick engagement and emphasize relevance. Consists of 1 multiple choice question in each.
2. **MindTap** – Learn It: Theories of Ethics; Corporate Social Responsibility; Costs of Ethical and Unethical Behavior
   1. Online auto-graded activities that review foundational concepts presented in this chapter and assesses students’ comprehension of the topics. Consists of 2 multiple choice questions in each.
3. **MindTap** – Check Your Understanding: Fundamentals of Ethics
   1. Online auto-graded activity that assesses students’ foundational knowledge of the concepts presented in this chapter. Consists of 10 multiple choice questions.
4. **MindTap** – Case Problem Analysis: Business Ethics
   1. Online auto-graded activity that first walks students through a fact pattern, and then asks them to answer similar questions with slight variations in the fact pattern. Consists of approximately 5 fill-in-the-blank questions.
5. **MindTap** – Brief Hypotheticals: Ethics
   1. Online auto-graded activity that presents 5 fact patterns in which students are asked to apply the concepts of the chapter, and to come up with a legal conclusion. Consists of 5 multiple choice questions.

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# Additional Resources

## Cengage Video Resource

* MindTap Quick Lesson Video:
  + Ethical Reasoning. Duration 2:37 minutes.

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