

# Understanding Ethics

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*Kohlberg's theory:*

## **The Six Stages of Moral Development**

1. **Obedience      punishment**
2. **Morality of the marketplace**
3. **Conformity**
4. **Law and order**
5. **Social contract**
6. **Universal moral principles —"The Golden Rule"**

# Short-Term vs. Long-Term Ethics

## Short-Term

- Motivated by self interest
- Internally focused—customers forgotten
- Decisions impact bottom line in current fiscal year
- Layoffs and plant closings to cut costs
- Cut research and development budgets
- Inferior products sold through clever packaging and advertising

## Long-Term

- Motivated by altruism
- Externally focused—first concern is for customers' well-being
- Decisions impact customer loyalty over long term
- Concern for employees' well-being training, education, and personal growth opportunities for employees
- Focus on research and development
- Constant improvement in product and quality service

# How to Build an Effective Ethical Corporate Culture

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- **Develop a credo or code of ethics**
- **Incorporate ethics into management training**
- **Communicate ethics codes among employees**
- **Establish procedures to monitor and enforce compliance with codes, i.e. performance reviews, attitude surveys**
- **Update codes to reflect new business situations**
- **Support employees' membership in professional associations that emphasize ethics education and training**

# Individual and Business Ethics for Success

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- Root ethics in the spirit of altruism
  - Measure personal standards against existing codes of ethics
  - Create an ethical corporate culture through:
    - Ethics codes or credos
    - Training
    - Discussions
    - Incorporating ethics into goals and objectives
  - Focus thinking on the long-term through altruistic service to others
  - Join a professional society that reinforces ethics training and discussion
  - Profit from change for happiness and prosperity with the right set of values
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