

Business Ethics and Corporate Governance
Lecture 6
Ethical Decision Making (2)
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Ethical Decision Making

- Ethical decision making is not just one step. It is a process. Several things happen in our mind before we act ethically. Many experts have tried to explain how this process works. One helpful way to understand it is by learning the **key elements** or **components** that support ethical behavior. These components help us think clearly, make better decisions, and act with responsibility.

Moral Imagination

- The first component is **moral imagination**. This is the ability to see that even small or normal decisions can have an ethical side. Moral imagination is like a lens that helps us notice right and wrong in everyday situations. Often, when we are doing our daily tasks, like sending an email, helping a co-worker, or speaking in a meeting, we don't think about ethics. But moral imagination helps us ask questions like:
 - "Could my action hurt someone?"
 - "Am I being fair?"
 - "Am I choosing what's easy or what's right?"
- For example, imagine a team leader assigning tasks. If they give all the easy tasks to their friends and the difficult ones to others, that's unfair. With moral imagination, the leader can notice that this is not just a team decision, it has an ethical side. It's about fairness, equality, and respect.
- Moral imagination helps us pause and reflect. It helps us realize that even small acts, like how we speak to people or how we share information, can make a moral difference.

Moral Identification and Ordering

- The second component is **moral identification and ordering**. This means we must first **identify** what the ethical issue is. Then we must **decide which value or principle is most important**, especially if there is more than one.
- Sometimes, in a situation, two good values can conflict. For example, you might want to be honest, but also want to protect someone's feelings. In such a case, moral identification helps you recognize both values. Then moral ordering helps you decide which one should come first in that moment.
- This is important because life is full of choices where we must decide what matters more. It is not always easy. But with practice, we can become better at it. In organizations, this helps managers and workers to stay true to their values, even when decisions are difficult.

Moral Evaluation

- Next is **moral evaluation**. This step comes after we recognize the issue and sort out our values. Now we need to look at the different options and **analyze** them. We ask:
 - “What will happen if I choose this option?”
 - “Who will benefit? Who might be harmed?”
 - “Is this decision fair to all parties?”
 - “Does this follow my personal or organizational values?”
- Moral evaluation is like ethical problem-solving. It requires thinking carefully and clearly. It’s not just about using logic, it’s also about empathy. We must try to understand how others will feel or be affected by our decision. This helps us see the full picture before taking action.
- This step is especially important in business, where choices can affect many people, customers, employees, communities, and even the environment. A good ethical decision-maker doesn’t just think about money or speed, but also about impact and fairness.

Tolerating Moral Disagreement and Ambiguity

- The fourth component is tolerating moral disagreement and ambiguity. In simple words, this means being okay with differences and uncertainty. Not everyone will agree with our ethical choices. People come from different cultures, religions, and personal experiences. This can lead to different views on what is right or wrong.
- Also, not every ethical problem has a clear answer. Sometimes, the situation is unclear or has gray areas. For example, giving a discount to a long-time customer may seem generous, but could also be seen as unfair to others. In such cases, we may feel confused or unsure.
- A person who can tolerate disagreement and ambiguity is calm, open-minded, and willing to listen. They don’t rush to judge or become angry when others think differently. Instead, they explore the different opinions, and try to find a balanced and respectful solution.
- In the workplace, this is very important. Team members often see things differently. A good leader creates space for discussion and guides the group through ethical uncertainty.

Integrating Managerial and Moral Competence

- The fifth component is integrating managerial and moral competence. This means being able to manage tasks and people while also being ethical. It’s not enough to be a good manager, you also have to be a good person. This component helps connect technical skills with moral values.
- For example, a manager may be good at planning, budgeting, and organizing. But if they ignore ethics, they might push employees too hard, make unfair rules, or allow dishonesty. On the other hand, if a manager is honest but lacks skill, the team may suffer from poor results.

- So, a good decision-maker combines practical ability and moral awareness. They can spot ethical problems early. They can guide their team in doing what's right. And they help build systems, like policies or procedures, that make ethical behavior part of daily operations.
- In other words, they don't just make one good decision, they help build an ethical culture that lasts.

Sense of Moral Obligation

- The sixth and final component is a sense of moral obligation. This is the inner motivation to do the right thing. It's like a voice inside you that says, "This is my duty." Even when no one is watching, even when it's difficult, even when others don't agree, this inner sense pushes you to act ethically.
- Sometimes, we know what is right, but we feel afraid or lazy to do it. Moral obligation gives us the strength to act. It helps us overcome fear, pressure, or selfish desires. It reminds us that our actions matter, and that we are responsible for them.
- This component is very personal. It depends on our values, beliefs, and how much we care about doing good. In an organization, people with a strong sense of moral obligation are often the most trusted, respected, and followed.

Another Helpful Model: Four Components of Moral Behavior

- In addition to these six elements, there is also a simple and useful model that includes four psychological parts of moral action. These are:
 1. **Moral sensitivity** – noticing that something is wrong or could cause harm. If we don't recognize the problem, we won't act.
 2. **Moral judgment** – deciding what the right thing is. This uses our values and knowledge.
 3. **Moral motivation** – wanting to do the right thing, even if it's not the easiest or most profitable.
 4. **Moral character** – having the courage and discipline to act on our decision.
- This model reminds us that moral action is a step-by-step process, and all steps are important.
- Now that we have discussed the six components and the four-step model of moral behavior, let's talk about how we can use them in real life. Understanding theory is important, but it becomes more useful when we can apply it to everyday situations.
- For example, let's say you are working in a team at your workplace or university. A mistake happens, and your supervisor does not know who made it. You realize that you were responsible, but if you stay silent, no one might find out. What should you do?
- Using moral imagination, you realize that even staying silent is a moral choice. It may affect others, especially if someone else is wrongly blamed. With moral identification, you see that honesty and responsibility are the most important values here. Moral evaluation helps you think about the possible results of telling the truth or hiding it. You understand that some people might disagree or be confused about what's best, but you are okay with that. That's tolerance for disagreement.

You use your practical and moral skills together. You decide to speak up and offer a solution to fix the mistake. That's moral and managerial competence. And finally, you feel a strong sense of duty. You know in your heart that doing the right thing matters. That is your moral obligation.

- This simple story shows how these components can guide us.

Why Ethical Decision Making Matters in Organizations

- Ethical decision making is not only for personal life. It's also very important in organizations, places like companies, schools, hospitals, and government offices. When the people in an organization act ethically, the organization becomes stronger, more trusted, and more respected.
- Let's imagine a company that makes decisions only based on profit, ignoring ethics. What could happen?
 - Employees may feel unhappy or afraid to speak the truth.
 - Customers may stop trusting the company.
 - The community may feel hurt by the company's actions.
 - In the long run, the company may face legal or financial problems.
- Now, think of a company where ethical decision making is part of the culture. Managers listen, respect others, and follow clear values. Employees feel safe to give opinions. Customers feel respected. The community feels supported. This kind of environment creates long-term success.
- That's why it's important for future leaders, including you, to learn how to make ethical decisions and help others do the same.

Challenges in Making Ethical Decisions

- Even when we know what is right, sometimes making ethical decisions is hard. Why?
 - **Pressure from others:** Sometimes, people around us may encourage or force us to do what is wrong.
 - **Fear of punishment or conflict:** We may worry about losing our job, losing friends, or being judged.
 - **Temptation:** The wrong choice may offer quick rewards—like more money or less work.
 - **Lack of support:** Sometimes, we don't have anyone to guide us, or the rules are unclear.
 - **Tiredness or stress:** When we are tired, busy, or under stress, we might not think clearly about what is right.
- That's why practicing ethical decision making is important. It builds strength, like a muscle. The more we practice, the easier it becomes to do what is right, even in hard times.

How to Strengthen Moral Action

- Here are some tips to help you strengthen your ability to act ethically:

- **Reflect often:** Take time each week to think about your actions and decisions. Ask yourself, “Did I act fairly?”
- **Learn from experience:** When you face an ethical situation, write it down. What happened? What did you learn?
- **Talk to others:** Join discussions about values, ethics, or difficult choices. You can learn a lot by hearing other perspectives.
- **Know your values:** Write down your top 5 values. These can guide you when you feel unsure.
- **Find role models:** Observe people who act with honesty and courage. What can you learn from them?
- **Practice small acts of integrity:** Doing the right thing in small ways—like being honest, helping others, or speaking up—makes it easier to handle big ethical choices.

Encouraging Ethics in a Group or Team

- If you are part of a team or lead a group, you can also help others grow in moral action. Here’s how:
 - **Set the example:** Show ethical behavior in your own actions. People notice more than you think.
 - **Create safe space:** Let people know it’s okay to speak honestly and ask questions.
 - **Reward honesty and courage:** Appreciate those who do the right thing, even when it’s hard.
 - **Share stories:** Talk about real-life situations where ethical decisions made a difference.
 - **Make ethics part of the process:** Include ethical thinking in meetings, planning, and problem-solving.
- When a group supports ethics together, the whole culture becomes more positive and responsible.

Ethical Decision Making in Business: Understanding the Process

- In the world of business, decision making is a part of daily life. Every employee, from entry-level staff to top managers, must make choices. Some decisions are simple and routine, but others are more difficult and involve ethical considerations. When we talk about ethics in business, we are talking about doing what is right and fair, not only for ourselves but also for others who are affected by our actions.
- Many people believe that making ethical decisions in a company is the same as making ethical choices at home or in their personal life. However, this is not always true. At home, you usually have more freedom to decide based on your own values. You can choose based on what you think is good or bad. But in a company or other organization, your freedom may be limited by rules, work culture, or the pressure of keeping your job. You also have to think about many people, your coworkers, your boss, the customers, and the organization itself.

- Because of this, people in businesses do not always have the freedom to make ethical decisions in the way they might in their personal lives. This is why it is important to understand how ethical decisions are actually made in organizations. If we understand the process better, we can make better choices and reduce the chances of making mistakes.

A Model to Understand How Ethical Decisions Are Made

- To explain how people make ethical decisions in business, experts have created models. A model is a simple way to describe something that is usually complex. These models help us see the steps people often take when they are trying to solve ethical problems.
- These models are not based on guessing. They are based on research and observations of how people behave in real organizations. Many researchers from different fields, like philosophy, psychology, and organizational behavior, have studied this topic. They found that while each person is different, there are some common patterns in how people think and act when they face ethical issues at work.
- The models usually include two kinds of thinking:
 - **Descriptive thinking:** This explains how people really make decisions in real life. It looks at what people usually do, based on experience and observation.
 - **Normative thinking:** This explains how people should make decisions if they want to follow good values like honesty and fairness. It gives guidance about the best way to decide what is right.
- Organizations also often have core values. These are basic beliefs or principles that guide the actions of the company and its employees. Examples of core values might include honesty, responsibility, respect, and trust. These values help employees know what kind of behavior is acceptable and expected.
- When these values are clearly explained and followed by everyone, employees feel safer and more confident to make good decisions. But if the company's actions do not match its values, employees may feel confused or pressured to act unethically.

What Happens When Rules Are Unclear?

- In many business situations, the rules are not clear. Sometimes, different values may be in conflict. For example, telling the truth may hurt someone, but keeping quiet may allow something wrong to continue. These situations are called ethical dilemmas. In ethical dilemmas, there is often no perfect solution.
- When people face these situations, they must use their thinking skills to analyze what is happening. They must ask themselves: What is right? What is fair? Who will be affected by my decision? What is the long-term effect?
- Even though we may want to do the right thing, the answer is not always clear. Sometimes, two good values are in conflict. Other times, the person may feel pressure from their boss or fear losing their job. These pressures make the decision even harder.

- For example, someone might believe that a certain action is dishonest. But they might also know that refusing to do it could lead to losing a customer or upsetting a manager. The person is then stuck between doing what they believe is right and doing what helps them keep their job. This is a very difficult place to be.

Guilt and the Consequences of Our Actions

- When someone makes a decision that goes against their ethical beliefs, they often feel guilty afterward. Guilt is a feeling of regret or sadness that happens when we think we did something wrong. It is a natural and important emotion. It tells us that our decision was not aligned with our personal values.
- After feeling guilty, people usually try to deal with that feeling. They may respond in one of two ways:
 1. **Changing their beliefs to reduce guilt:** Sometimes people try to feel better by changing how they think. They might say, "Maybe it wasn't such a big deal," or "Everybody else is doing it." This is a way of avoiding guilt, but it can lead to more ethical problems in the future.
 2. **Learning from the experience:** Other times, people feel guilty and use that feeling to grow. They might say, "I don't want to feel like this again," and then decide to act differently in the future. This is a healthy way to respond and can lead to better decisions over time.
- In some situations, the only way to avoid being forced into unethical decisions is to leave the job. This is not an easy choice, but for some people, it is the only way to protect their personal values. It depends on the situation and the person.

What Drives Ethical Decisions? Success and Motivation

- One important question is: Why do people sometimes make bad decisions, even if they know better? A big reason is how they define success. Everyone has their own idea of what it means to be successful. For some people, success means having a lot of money. For others, it means job security, helping their family, gaining power, or feeling respected by others.
- These ideas about success influence how people behave at work. If a person believes that earning money is the most important thing, they might make decisions that focus only on profit, even if it means hurting others or breaking rules. But if someone believes that success includes honesty, respect, and doing good for others, they may refuse to do something unethical even if it costs them a promotion or a bonus.
- There is no single right or wrong definition of success. But it is important to understand your own beliefs about success, because they will guide your choices, especially when you face difficult decisions.
- Also, people are not always aware of what motivates their behavior. They may think they are doing something for a good reason, but their real motivation could be fear, pride, or pressure. That's why ethical decision making requires self-awareness. You must understand not only what you are doing, but also why you are doing it.

Using the Ethical Decision-Making Model to Improve Ethical Decisions

- When we talk about making better decisions in business, especially ethical ones, it is important to understand that no model or tool can tell us what is right or wrong in every situation. Ethical decisions are complex, and what is considered right in one situation might not be the same in another. The purpose of learning about ethical decision-making models is not to get a clear answer for every case, but to help us think clearly, carefully, and responsibly when we are faced with difficult choices.
- The ethical decision-making model gives us a way to understand how people usually make ethical decisions in the workplace. It shows us the common steps and patterns people follow, and it helps us see the different things that affect their decisions. However, this model is not a set of rules or instructions. It is more like a guide that gives us insight into how decisions are made, so we can be more aware and thoughtful in our own actions.
- In real life, business situations are often fast-moving, complicated, and involve many different people with different opinions and interests. That's why ethical decisions cannot be based only on one person's opinion. We need to understand the bigger picture, including how other people think, what the company expects, and how the decision will affect others. So, learning about ethical decision-making helps us see the many sides of a problem and how to respond wisely.

Understanding the Model in Real Business Life

- The model is based on observations and research about how people behave in business. Experts have studied how individuals and teams usually respond to ethical issues, and they have found some patterns. For example, people may feel pressure from others, they may want to protect their jobs, or they may not fully understand the situation. All of these can influence how they act. The model takes these influences into account and helps us understand why people sometimes make bad decisions, even when they don't mean to.
- Still, having knowledge about how decisions are made is not enough to stop unethical behavior. Business ethics is more than just knowing the right thing to do, it also requires agreement on what is acceptable behavior, and a strong sense of responsibility. This is why it's important to also look at the values and principles that guide decisions. Values like honesty, fairness, and respect are key to creating a work culture that supports good ethical decisions.
- By understanding how the decision-making process works, we become more sensitive to recognizing whether a situation involves an ethical issue or not. Sometimes, problems may not look like ethical issues at first, but when we look closer, we can see that someone's rights, dignity, or well-being is at risk. Learning this model helps us spot those hidden ethical concerns early, so we can act before things go wrong.

Factors That Influence Ethical Decisions

- There are many things that can influence a person's decision at work. Some of these come from inside the person, such as their upbringing, education, gender, moral

values, and beliefs. Others come from outside the person, like the company's policies, the behavior of coworkers, or the pressure to meet deadlines or goals.

- In addition, things like the kind of business the company is in, how strong the competition is, and how the company treats its workers and customers, all of these can affect whether people act ethically or not. A company that focuses only on profits and ignores people's well-being may create an environment where unethical behavior is more likely to happen.
- There are also outside factors, like friends, family, or financial stress, that may push someone to make a decision they're not proud of. For example, if someone needs to pay a large bill and their job is at risk, they may be more tempted to take part in something unethical just to survive. Understanding these influences helps us create better support systems, so people don't feel they have to make the wrong choice just to get by.
- So, as we study this model, we begin to see that ethical decision-making is not only about what is right or wrong in theory. It is about understanding the situation, the people involved, and the possible outcomes. When people feel supported and know their company values doing the right thing, they are more likely to act ethically, even when it is hard.

Business Knowledge and Personal Values Must Work Together

- One important point to remember is that good ethical decisions need both strong personal values and good business knowledge. It is not enough to just want to be fair or honest. A person must also understand the details of their job. For example, someone who wants to be honest but does not fully understand the financial risks of a project may still cause harm by making a poor decision.
- So, personal values like truth, fairness, and respect must go hand in hand with knowing the business side of things. Managers must be able to understand complex systems, such as finance, operations, or technology, and then apply their values while making decisions in those areas. Ethical decisions are not just about feeling right, they are about doing what is right based on both values and knowledge.

Culture and Environment in the Workplace

- The company's culture is a big part of ethical decision-making. This culture is created not just by written rules or codes of conduct, but by how people treat each other, what behaviors are rewarded, and how leaders set examples. If a company only cares about results, no matter how they are achieved, people may feel pressure to cut corners. But if a company values integrity and supports ethical behavior, employees will feel more confident making the right choices.
- Even though it's important to have written codes and rules, these are not enough by themselves. Informal things, like the conversations people have, the support from coworkers, and how leaders respond to problems, all shape the ethical culture of the organization. When these informal parts of the workplace support doing the right thing, ethical behavior becomes more natural for everyone.

- In conclusion, using the ethical decision-making model is not about finding a perfect answer, but about gaining the tools and awareness needed to make better, more thoughtful choices. By understanding the factors involved, personal, organizational, and external, we can respond wisely to complex situations. And by combining strong values with business knowledge and a supportive work culture, we can create better outcomes not only for our companies, but also for the people we serve.

Normative Considerations in Ethical Decision Making

- In our earlier discussion, we talked about how people in businesses usually make ethical decisions. This approach was descriptive, which means it focused on describing how things happen in real life. It helps us understand what influences people when they are trying to make the right choice at work. By learning about these influences, like company culture, personal values, or pressure from others, we can become more aware when we face difficult situations that involve ethics.
- However, just knowing how people make decisions is not enough. We also need to think about how people should make decisions. This brings us to a different approach called the normative approach. The word "normative" means related to standards or ideals. In other words, this approach talks about what is the right thing to do, not just what people usually do.
- A normative perspective in ethics looks at what people ought to do based on certain values or moral principles. It focuses on what is considered proper behavior in a company or an industry. Unlike the descriptive approach that studies actual behavior, the normative approach sets a standard for behavior, what is considered fair, just, and morally right. It helps guide decision-makers when they face ethical dilemmas or questions.
- In a business context, a normative approach often means looking at both individual and organizational values. It's not only about what one person believes, but also about the shared beliefs of the whole company. Companies are made up of many people, and for them to work well together, they need common values to guide their actions. These values are often written down and communicated clearly within the organization.
- Most businesses create a set of core values. These are key beliefs that define what the company stands for. They help employees know what is expected and help guide decisions when problems arise. For example, values like honesty, respect, fairness, and responsibility are often included. These values don't only tell people what is right or wrong; they also shape the company's relationship with customers, partners, and society in general.
- These core values are important because they give direction for how the company should behave, especially in situations where the answer is not clear. When employees face tough choices, these values help them choose the path that matches the organization's principles. If a company promotes honesty and fairness, employees are more likely to avoid actions that involve lying or discrimination, even if those actions might seem profitable in the short term.

- A good normative structure in a company also considers both internal and external stakeholders. Internal stakeholders include people inside the organization, like workers and managers. External stakeholders include those outside, like customers, the community, and suppliers. Ethical decisions should take into account the needs and values of both types of stakeholders. For example, a company should treat its workers fairly while also thinking about how its actions affect the environment or the surrounding community.
- Conflicts can happen because different stakeholders may have different goals. For instance, a customer might want low prices, while employees want fair wages. Or, a community may want environmental protection, while the business wants to reduce costs. These situations can create ethical dilemmas. That's why it's important to have strong core values, to help balance these different interests and find fair solutions.
- Normative ethics also connects to moral philosophies, such as utilitarianism and deontology, which will be discussed in more detail later. These philosophies help us understand different ways to judge whether a decision is ethical. For example, utilitarianism focuses on the outcome, choosing the action that brings the most good for the most people. Deontology, on the other hand, is more concerned with the action itself, doing what is right even if the result is not perfect.
- By having a normative structure based on these ethical ideas, businesses can encourage better behavior and stronger trust among their employees and with the public. People feel more secure working in a company where the rules are fair and decisions are made for the right reasons. It also helps avoid legal problems or scandals, which can harm the company's reputation and long-term success.
- Also, normative values should not only focus on what benefits the business but also what is good for society. For example, decisions that support education, health, or environmental sustainability can benefit the business in the long run because they improve the lives of customers and communities. When a company supports positive social outcomes, it builds a stronger connection with society and earns more respect and loyalty.

Institutions as the Foundation for Normative Values

- In every organization, there are certain expectations about how people should behave. These expectations do not come from nowhere, they are influenced by the broader institutions in our society. These institutions act as the foundation for what we call "normative values," or in other words, the values that define what is considered proper and ethical behavior.
- According to something called institutional theory, organizations often follow the rules, beliefs, and traditions that are already accepted by society. These are known as institutional norms. For example, governments, religious groups, and educational systems are all powerful institutions. They influence what people believe is right or wrong, and those beliefs eventually influence how organizations behave. If a business ignores these accepted norms, it may struggle to survive or be criticized by the public.
- These institutions affect both the people inside the organization (internal influence) and people or forces outside of it (external influence). Internal pressure can come from employees or company rules, while external pressure may come from government

regulations or public opinion. These forces push organizations to follow certain values or practices to stay accepted and successful.

- To better understand these influences, we can group institutions into three major categories: political, economic, and social.

Political Institutions and Ethical Values

- Let's begin with political institutions. These include governments, legal systems, and political ideologies. In democratic countries, values such as freedom of speech, fairness, and the right to own property are considered fundamental. Companies that operate in these environments must respect those values. If they break the rules, like using bribery to gain unfair business advantages, they can face serious legal consequences.
- For example, the U.S. and U.K. have strong anti-bribery laws. Businesses that don't follow these laws not only break the rules, but also damage their reputation. Internally, companies may have their own ethics policies to help maintain integrity. For instance, a construction company might have a code of conduct that says employees must report unsafe behavior. If someone fails to do so, they can be disciplined. This is a part of the company's political culture that helps ensure ethical conduct.
- Political institutions also include regulatory bodies that monitor business behavior. These organizations ensure companies follow the law and act fairly. They deal with serious issues like price-fixing, consumer protection, and anti-competitive practices. For example, if big companies try to merge and form monopolies, they might face scrutiny from regulators. This is because monopolies can harm smaller competitors and reduce choices for consumers.

Economic Institutions and Business Competition

- Next, we look at economic institutions. These include the systems that guide how goods and services are created and distributed. Capitalism, socialism, and communism are examples of economic systems, and each affects how businesses operate.
- In capitalist economies, competition is a major driving force. This competition influences how companies behave. In industries with high competition, like smartphone manufacturing, businesses often feel pressure to cut costs and outperform others. While competition can drive innovation, it can also lead to unethical behavior if companies take shortcuts to survive.
- Let's take a real-life example: some companies impose strict health requirements on employees to save money on insurance. A tire company once charged workers extra fees for healthcare if they were overweight or had high blood pressure. Employees had to share private health information like their weight and blood sugar levels. Some people saw this as discrimination, while the company called it a wellness program. This example shows how competition and cost-saving can sometimes lead to controversial ethical issues.
- In contrast, industries with less competition, like vacuum cleaner manufacturing, may not face the same pressures. However, even in low-competition industries, ethics still

matter. What matters most is that companies maintain fairness, honesty, and respect for their stakeholders, regardless of how competitive the environment is.

Social Institutions and Personal Values

- Social institutions have a deep influence on the ethical values of individuals and organizations. These include the family, religion, education, and cultural norms. While laws tell us what we must do, social institutions shape what we believe we should do.
- Think about the common saying: “Treat others the way you want to be treated.” This idea exists in many religions and cultures, even though it’s not a legal rule. Businesses adopt similar ideas by encouraging fair competition, transparency, and respectful treatment of employees. These values, learned from our upbringing and communities, become part of our work life and influence our decisions.
- Social institutions also shape public expectations. For example, as concerns about health and obesity grew in society, Walmart decided to promote healthier food options. This decision was influenced by social trends, showing how businesses respond to changing public values.
- Although we don’t usually call stakeholders “institutions,” they actually play a similar role. Different stakeholder groups, such as governments, employees, customers, and communities, create expectations that shape business behavior. The regulatory system relates to political institutions. Competition is tied to economic institutions. And personal values come from social institutions. These connections show that stakeholder expectations and institutional influences are deeply linked.

The Power of Ethical Leadership

- The more you learn about ethical decision making in business, the better you will be at making good decisions. It is important to understand that ethical problems are not always caused by bad people. Sometimes, they are caused by a weak system or a culture that doesn’t value integrity.
- While individual employees can make ethical choices, real change often comes from leadership. When leaders demonstrate strong ethical values, they inspire others to follow. As people move up the organizational ladder, they gain more power, and more responsibility to influence others. Leaders at the top have the chance to shape the company’s values, systems, and behavior.
- A strong ethical culture doesn’t happen by accident. It is built step by step through consistent actions, thoughtful decisions, and a clear understanding of what the company stands for. The framework of ethical decision making helps us see how all these pieces fit together, and how we can use them to create a better, more responsible business world.