

# MGT610 - Business Ethics FAQs For Final Term Exam Preparation

## FAQs

**Question:** In what sense does Galbraith deserve a medal for freedom?

**Answer:** In the sense that a certain conception of freedom does underlie his thinking. This is what is called "positive" freedom. It means a condition whereby people are provided by government, and at the expense of other people, with what they could use to advance their lot. Such provisions would "free" them to move forward. The freedom of the American founders is quite different, mainly backed by a different idea of human nature. It is that people in communities require first and foremost not to be thwarted in their efforts to make headway in life. Others may not be conscripted into involuntary servitude to provide them with what they might need because if they are not thwarted by them, they will be able to do this on their own. Not equally rapidly, not to the same extent, perhaps, but if they only apply themselves, they will flourish without coercing others. Galbraith has never championed this kind of "negative" freedom. So his views are alien to the American political tradition. It is not surprising, then, that he receives the Medal of Freedom from President Bill Clinton, someone who has done nothing at all to further freedom in this truly American sense. To Galbraith's minor credit, however, he did, a few years ago, finally admit that capitalism is a far better economic system than socialism. He did this only in the wake of the collapse of the Soviet Empire. And even then with great reservations and regret. He was asked, in an interview published in Alitalia's October 1996 "in flight" magazine: "You spoke of the failure of socialism. Do you see this as a total failure, a counterproductive alternative?" He replies this way: "I'd make a distinction here. What failed was the entrepreneurial state, but it had some beneficial effect. I do not believe that there are any radical alternatives, but there are correctives. The only alternative socialism, that is the alternative to the market economy, has failed. The market system is here to stay."

**Question:** Internet privacy forms a subset of computer privacy. Experts in the field of Internet privacy have a consensus that Internet privacy does not really exist. Privacy advocates believe that it should exist. Do you agree or not with this statement? Explain your arguments with real life examples.

**Answer:** Internet privacy consists of privacy over the media of the Internet: the ability to control what information one reveals about oneself over the Internet, and

to control who can access that information. Many people use the term to mean universal Internet privacy: every user of the Internet possessing Internet privacy. People with only a casual interest in Internet privacy need not achieve total anonymity. Regular Internet users with an eye to privacy may succeed in achieving a desirable level of privacy through careful disclosure of personal information and by avoiding spyware. The revelation of IP addresses, non-personally-identifiable profiling, and so on might become acceptable trade-offs for the convenience that such users would otherwise lose in using the workarounds needed to suppress such details rigorously. On the other hand, some people desire much stronger privacy. In that case, they may use Internet anonymity to ensure privacy — use of the Internet without giving any third parties the ability to link the Internet activities to personally-identifiable information of the Internet user.

Question: Why do companies develop ethics programs?

Answer: Ethics should govern all human activity; there is no reason to exempt business activity from ethical scrutiny. Business is a cooperative activity whose very existence requires ethical behavior. Another more developed argument points out that no activity, business included, could be carried out in an ethical vacuum.

Question: Define at least five organizational factors of oligopolistic competition which lead companies to engage in unethical practices.

Answer: 1. Crowded and Mature Market - When large numbers of new entrants or declining demand create overcapacity in a market, the resulting decline in revenues and profits creates pressures on middle-level managers. They may respond by allowing, encouraging, and even ordering their sales teams to engage in price fixing. 2. Job-Order Nature of Business - If orders are priced individually so that pricing decisions are made frequently and at low levels of the organization, collusion among low-level salespeople is more likely. 3. Undifferentiated Products - When the product offered by each company in an industry is so similar to those of other companies that they must compete on price alone by continually reducing prices, salespeople come to feel that the only way to keep prices from collapsing is by getting together and fixing prices. 4. Culture of the Business - When an organization's salespeople feel that price fixing is a common practice and is desired, condoned, accepted, rationalized, and even encouraged by the organization, price fixing is more likely. 5. Personnel Practices - When managers are evaluated and rewarded solely or primarily on the basis of profits and volume so that bonuses, commissions, advancement, and other rewards are dependent on these objectives, they will come to believe that the company wants them to achieve these objectives regardless of the means. 6. Pricing Decisions - When

organizations are decentralized so that pricing decisions are pushed down into the hands of a lower part of the organization, price fixing is more likely to happen. Price decisions should be made at higher organizational levels. 7. Trade Associations - Allowing salespeople to meet with competitors in trade association meetings will encourage them to talk about pricing and to begin to engage in price setting arrangements with their counterparts in competing firms. 8. Corporate Legal Staff - When legal departments fail to provide guidance to sales staff until after a problem has occurred, price-fixing problems are more likely.