

# Contents

|          |   |    |
|----------|---|----|
| <b>1</b> | <b>Basic of Ethics</b> . . . . .  | 1  |
| 1.1      | Basic Terms . . . . .   | 1  |
| 1.2      | What Is Business Ethics? . . . . .  | 5  |
| 1.3      | Objective of Business Ethics . . . . .                                      | 6  |
|          | Literature . . . . .  | 9  |
| <b>2</b> | <b>Ethical Valuation Approaches</b> . . . . .                               | 11 |
| 2.1      | Classical Ethics . . . . .  | 11 |
| 2.1.1    | Ethics of Conviction . . . . .  | 12 |
| 2.1.2    | Kant’s Rules for Ethical Reasoning . . . . .                                | 13 |
| 2.1.3    | Ethics of Duties (Deontological Ethics) . . . . .                           | 15 |
| 2.1.4    | Ethics of Responsibility or Ultimate<br>End (Teleological Ethics) . . . . . | 20 |
| 2.1.5    | The Utilitarianism of Jeremy Bentham . . . . .                              | 22 |
| 2.1.6    | Millian Utilitarianism . . . . .  | 24 |
| 2.1.7    | Individual Ethics or Discourse Ethics? . . . . .                            | 25 |
| 2.2      | Modern Ethics . . . . .   | 32 |
| 2.2.1    | Moral Economics: Morality Must Be Worthwhile . . . . .                      | 32 |
| 2.2.2    | Specific Ethical Assessment Principles . . . . .                            | 36 |
| 2.2.3    | Justice as an Assessment and Behavioral Approach . . . . .                  | 38 |
| 2.3      | Conclusion on Ethical Evaluation Procedures . . . . .                       | 40 |
| 2.4      | Application Examples . . . . .  | 41 |
| 2.5      | Summary . . . . .   | 42 |
|          | Literature . . . . .  | 43 |
| <b>3</b> | <b>The Image of Humans</b> . . . . .  | 47 |
| 3.1      | The Classical View of Man: Homo Economicus . . . . .                        | 47 |
| 3.2      | Falsely Understood Egoism . . . . .   | 51 |
| 3.3      | Individualism Versus Collectivism . . . . .                                 | 52 |
| 3.3.1    | Rolegame Individualism Versus Collectivism . . . . .                        | 52 |
| 3.4      | Fairness As Motivation . . . . .  | 56 |
| 3.5      | Human Intelligence . . . . .  | 58 |

|          |  |            |
|----------|--|------------|
| 3.6      | The Cultural Impact . . . . .  | 62         |
| 3.7      | Conclusion and Summary . . . . .   | 63         |
|          | Literature . . . . .   | 66         |
| <b>4</b> | <b>Ethical Problems of the Economy: Enron, Subprime &amp; Co. – From Crisis to Crisis.</b> . . . . . | <b>69</b>  |
| 4.1      | Enron, Worldcom and Co. . . . .  | 69         |
| 4.1.1    | The Consequences of Enron, Worldcom & Co. . . . .  | 72         |
| 4.2      | The Subprime Crisis, the Biggest Financial Crisis After 1929 . . . . .                               | 73         |
| 4.3      | Some Causes of the Financial Crisis . . . . .  | 81         |
| 4.3.1    | Technical Mistakes. . . . .  | 81         |
| 4.3.2    | Exaggerated Belief in Figures . . . . .  | 86         |
| 4.3.3    | Missing Moral Values . . . . .   | 90         |
| 4.4      | Summary . . . . .  | 95         |
|          | Literature . . . . .   | 95         |
| <b>5</b> | <b>Market and Morality</b> . . . . .   | <b>99</b>  |
| 5.1      | Economy and Freedom – A Historical Overview . . . . .  | 99         |
| 5.2      | A Free-Market Without Social Rules? . . . . .  | 105        |
| 5.3      | The Russian Transformation to an Unethical Market Economy . . . . .                                  | 106        |
| 5.4      | How Does the Market Economy System Work? . . . . .   | 111        |
| 5.4.1    | The Picture of the Perfect Market in the Welfare Economy . . . . .                                   | 112        |
| 5.4.2    | Functions of Competition . . . . .   | 114        |
| 5.4.3    | Moral Goals and Market Economy . . . . .   | 118        |
| 5.4.4    | Social Market Economy. . . . .   | 124        |
| 5.5      | Market Failure . . . . .   | 129        |
| 5.5.1    | Market Failure Due to Non-exclusion . . . . .  | 129        |
| 5.5.2    | Market Failures Due to Asymmetrical Information. . . . .   | 130        |
| 5.5.3    | Market Failure Due to Transaction Costs . . . . .  | 133        |
| 5.5.4    | Market Failure Due to External Effects. . . . .  | 139        |
| 5.5.5    | Market Failure Due to Corruption . . . . .   | 140        |
| 5.6      | Morality Within the Economic Division of Labor . . . . .   | 146        |
| 5.7      | The Company in the Market System . . . . .   | 154        |
| 5.7.1    | The Company’s Objective of Maximizing Profits . . . . .  | 154        |
| 5.7.2    | Weaknesses in Controlling. . . . .   | 157        |
| 5.7.3    | Corporate Social Responsibility . . . . .  | 158        |
|          | Literature . . . . .   | 165        |
| <b>6</b> | <b>Institutional Ethics: The State Regulatory Framework</b> . . . . .                                | <b>171</b> |
| 6.1      | The Ethical Prisoner Dilemma. . . . .  | 171        |
| 6.2      | Ethical Institutions and Organizations. . . . .  | 173        |
| 6.3      | Is the State of Law Sufficient? . . . . .  | 175        |
| 6.4      | International Business Ethics. . . . .   | 178        |
| 6.4.1    | Non-Governmental Organizations or Civil Society Groups. . . . .                                      | 179        |

|          |   |            |
|----------|---|------------|
| 6.4.2    | International Quality Seals. . . . .                                    | 179        |
| 6.4.3    | Incentives to Overcome the International Prisoner's<br>Dilemma. . . . . | 180        |
| 6.4.4    | International Ethical Codes . . . . .                                   | 181        |
|          | Literature. . . . .   | 184        |
| <b>7</b> | <b>Tools of Ethics for Management . . . . .</b>                         | <b>185</b> |
| 7.1      | Institutional Ethics on Company Level . . . . .                         | 185        |
| 7.1.1    | Corporate Principles and Vision . . . . .                               | 185        |
| 7.1.2    | Operative and Strategic Targets . . . . .                               | 189        |
| 7.1.3    | Code of Conduct . . . . .   | 191        |
| 7.1.4    | Ethical Control Systems. . . . .  | 193        |
| 7.1.5    | The Ethical Aspects of the Shareholder Value Concept. . . . .           | 196        |
| 7.1.6    | Ethical Stakeholder Approach . . . . .                                  | 201        |
| 7.2      | Organizational Ethics. . . . .  | 209        |
| 7.2.1    | Organizational Structure . . . . .                                      | 210        |
| 7.2.2    | Ombudspersons . . . . .   | 216        |
| 7.2.3    | Ethics Officers . . . . .   | 217        |
| 7.2.4    | Ethics Commission . . . . .   | 217        |
| 7.2.5    | Whistleblowing . . . . .  | 218        |
| 7.3      | Leadership Ethics. . . . .  | 222        |
| 7.3.1    | Case Study of Enron . . . . .   | 223        |
| 7.3.2    | Weaknesses of Corporate Governance. . . . .                             | 223        |
| 7.3.3    | Incentives, Risk and Compensation Schemes . . . . .                     | 228        |
| 7.3.4    | Ethical Corporate Culture . . . . .                                     | 246        |
| 7.3.5    | Ethical Leadership . . . . .  | 267        |
| 7.3.6    | The Ethical Model of Company Management. . . . .                        | 281        |
| 7.4      | Summary . . . . .   | 297        |
| 7.4.1    | Ethical Staff Selection . . . . .                                       | 297        |
| 7.4.2    | Ethical Personnel Development. . . . .                                  | 309        |
|          | Literature. . . . .   | 318        |
| <b>8</b> | <b>Ethics in Business Education . . . . .</b>                           | <b>327</b> |
| 8.1      | Cultural Factors in Economics. . . . .                                  | 327        |
| 8.2      | Economics as a Natural Science? . . . . .                               | 330        |
| 8.3      | Ethics in Business Administration . . . . .                             | 333        |
|          | Literature. . . . .   | 337        |
|          | <b>Index. . . . .</b>   | <b>339</b> |