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FEEDBACK TUTORIAL LETTER

2ND SEMESTER 2020

ASSIGNMENT 1

BUSINESS ETHICS

(BBE612S)

ASSIGNMENT 1

Complete the following statements. Next to the corresponding number write the appropriate word(s) in your answer booklet.

QUESTION 1

(10x2=20)

- a) **NEGATIVE RIGHTS** require others to for bear acting in certain ways to allow the bearer of that right to act without impediment.
- b) **IMMERSEMENT** is the combined effects of increased concentration, cyclic crises, rising unemployment and declining relative compensation.
- c) The combination of inflation and unemployment, or **STAGFLATION** is problematic for Keynes' views.
- d) According to the **CAPITALIST** criterion of justice, benefits and burdens are distributed when a person receives in return at least the value of the contribution he/she made to the enterprise.
- e) **ALIENATION** describes the state of a person who is wrongfully separated from something which he should be united, or who is dominated by something of his own making.
- f) **MORAL ACCOUNTABILITY** consists of being prepared to render a moral account of an action done either for ourselves or as agents for other.
- g) **DEONTOLOGISTS / UTILITARIANISM** maintain that the actions are morally right or wrong dependent of their consequences.
- h) As a **LOYAL AGENT** of his/her employer, the manager has a duty to serve the employer as the employer would want to be served.
- i) The **PRISONER'S DILEMMA** demonstrates that even if people were motivated, by self-interest alone, they would still have a good reason to be ethical in business.
- j) A **WORK / PURITAN ETHIC** places high value on individual effort and the belief that hard work does and should lead to success.

(20marks)

QUESTION 2

The Case of the Collapsed Mine

In a town in West Virginia, miners were digging coal in a tunnel thousands of feet below the surface. Some gas build-up had been detected during the two preceding days, and the director of safety had reported it to the mine manager. The build-up was sufficiently serious to have temporarily stopped operations until it was cleared. The manager of the mine decided that the build-up was only marginally dangerous, that he had coal orders to fill, that he could not afford to close down the mine, and that he would take the chance that the gas would dissipate before it exploded. He told the director of safety not to say anything about the danger. Two days later, the gas exploded. One section of the tunnel collapsed, killing three miners and trapping eight others in a pocket. The rest managed to escape.

The explosion was one of great force, and the extent of the tunnel's collapse was considerable. The cost of reaching the men in time to save their lives would amount to several million dollars. The problem facing the manager was whether the expenditure of such a large sum was worth it. What, after all, was a human life worth? Who should make the decision, and how should it be made? Did the manager owe more to the stakeholders of the corporation or to the trapped workers? Should he use the slower, safer, cheaper way of reaching them and save a large sum of money, or the faster, more dangerous, more expensive way, and possibly save their lives.

He decided on the latter way and asked for volunteers. Two dozen of men volunteered. After three days, the operation proved to be more difficult than anyone had anticipated. There had been two more explosions, and three of those involved in the rescue operation had already been killed. In the meantime, telephone contact had been made with the trapped men, who had been fortunate enough to find a telephone line that was still functioning. They were starving. Having previously read about a similar case, they decided that the only way for them to survive long enough for any of them to be saved was to draw lots, and kill and eat the one who drew the shortest straw. They felt it was their duty that at least some of them be found alive; otherwise, the three who had died rescuing them would have died in vain.

After 20 days, seven men were finally rescued, alive; they had cannibalised their fellow miner. The director of safety, who had detected the gas before the explosion, informed the newspaper of his report. The manager was charged with criminal negligence, but before giving up his position, he fired the director of safety. The mine eventually resumed operation.

- 2.a) Discuss the ethical course of action that all parties in the case should have considered with specific focus on steps that would have constituted ethical behaviour.

PROPOSED ANSWER

- 2.a) The following should have been discussed and drawing evidence from the case.

FOUR STEPS LEADING TO ETHICAL BEHAVIOUR

- Recognizing a situation is an ethical situation
- Judging what the ethical course of action is
- Deciding to do the ethical course of action
- Carrying out the decision

Students could have focussed on the following as well:

The ethical action that chief ought to have taken was to stop the mining tasks incidentally and resolve the issue with gas develop. This might have kept away from a large number of issues that followed despite the fact that it might have caused the closing of the mine. The director of safety reported the gas build-up to the mine manager and the mine manager had a moral obligation towards the company and its workers (to fill coal orders but at the same time to protect workers from any danger).

The mine should have predefined rules and regulations regarding workplace ethics (health and safety). These rules and regulations should been given to all employees together with their employment contract. Having the rules written at strategic places at the mine would help remind miners about the rules. People tend to unconsciously imbibe things they see every day. Also to make it easy for miners to send complaints in case unethical activities going on in the workplace.

Consequences for unethical behaviours should also be placed alongside the rules at strategic places in the miner. That way, if anyone ignored the rules despite seeing them, the fear of being punished would have stop the mine manager being unethical

Irrespective of who breaks the rule, there should be swift disciplinary action by the organization.

- 2.b) In your view, what action did the director of safety take to make it morally justifiable? (5)

PROPOSED ANSWER

- 2.b) • Requires moral reasoning that applies our moral standards to the information we have about a situation
- Requires realizing that information about a situation may be distorted by biased theories about others, and about oneself.

The director of safety informed the mine manager of some gas build-up had been detected in the mine. He should have also inform the miners, the manager's superior, the board of directors and even the public that the mine was unsafe, The director of safety had the moral obligation to inform the newspaper of his report, which would be regarded as external whistle-blowing.

Students should have focussed mostly on whistle blowing

QUESTION 3

An Auditor's Dilemma

Sorting through a stack of invoices, Alison Lloyd's attention was drawn to one from Ace Glass Company. Her responsibility as the new internal auditor for Gem Packing was to verify all expenditures, and she knew that Ace had already been paid for the June delivery of the jars that are used for Gem's jams and jellies. On closer inspection, she noticed that the invoice was for deliveries in July and August that had not yet been made. Today was only June 10. Alison recalled approving several other invoices lately that seemed to be misdated, but the amounts were small compared with the \$130,000 that Gem spends each month for glass jars. "I had better check this out with purchasing," she thought.

Over lunch Greg Berg, the head of purchasing, explained the system to her. The jam and jelly division operates under an incentive plan whereby the division

manager and the heads of the four main units--sales, production, distribution and purchasing—Receive substantial bonuses for meeting the quota in pretax profits for the fiscal year, which ends on June 30. The bonuses are about one-half of annual salary and constitute one-third of the managers' total compensation. In addition, meeting quota is weighted heavily in evaluations, and missing even once is considered to be a death blow to the career of an aspiring executive at Gem. So the pressure on these managers is intense. On the other hand, there is nothing to be gained from exceeding the quota. An exceptionally good year is likely to be rewarded with an even higher quota the next year, because quotas are generally set at corporate head-quarters by adding 5 percent to the previous year's results.

Greg continued to explain that several years ago, after the quota had been safely met, the jam and jelly division began prepaying as many expenses as possible—not only for glass jars but for advertising costs, trucking charges, and some commodities, such as sugar. The practice has continued to grow, and sales also helps out by delaying orders until the next fiscal year or by falsifying delivery dates when a shipment has already gone out. "Regular suppliers like Ace Glass know how we work," Greg said, "and they send the invoices for July and August at my request." He predicts that Alison will begin seeing more irregular invoices as the fiscal year winds down. "Making quota gets easier each year," Greg observed, "because the division gets an ever-increasing head start, but the problem of finding ways to avoid going too far over quota has become a real nightmare." Greg is not sure, but he thinks that other divisions are doing the same thing. "I don't think corporate has caught on yet," he said, "but they created the system, and they've been happy with the results so far. If they're too dumb to figure out how we're achieving them, that's their problem.

Alison recalled that upon becoming a member of the Institute of Internal Auditors, she agreed to abide by the IIA code of ethics. This code requires members to exercise "honesty, objectivity, and diligence" in the performance of their duties but also to be loyal to the employer. However, loyalty does not include being a party to any "illegal or improper activity." As an internal auditor, she is also responsible for evaluating the adequacy of effectiveness of the company's system of financial control. But what is the harm of shuffling a little paper around? She thinks. Nobody is getting hurt, and it all works in the end.

3.a) Explain the ethical principles by means of examples cited from the case.

(15)

PROPOSED ANSWER

Students should have discussed : Utilitarianism, Rights, Justice, Ethic of Care and Virtue Ethics views/approaches/principles by citing supporting evidence from the case study. Marks awarded for discussion and examples

Act Utilitarianism

1) In reality, Alison has more than the two options considered. She could agree to go along this time, but tell people she will never do it again, she could refuse and promise to remain silent about it, she could refuse and promise to report the scheme to upper management, and so forth. We'll stick to two here, because churning through the consequences of all the possible options is quite cumbersome.

2) Notice that the violation of Alison's code of ethics is not itself a *consequence* of paying the invoices early, it's part of *what she does* by paying the invoices early. But breaking the code may have consequences for her, such as her pangs of conscience, the chance she is caught and reprimanded, etc., and these consequences will matter for Act Utilitarianism.

3) Notice also that the relevant consequences are not just those we can expect for Alison and the sales staff - we must consider the impact on the company as a whole, family members, consumers and other businesses, even if it may be difficult to accurately assess the impact of a decision like this well down the line. It all matters for Act Utilitarianism – that's the point.

Rule Utilitarianism

1) The crucial part here is coming up with some rules, imagining that everyone (or virtually everyone) follows the rules, and then comparing the consequences. For a successful Rule Utilitarian analysis, you must show why this or that rule is the one with the best consequences. Of course there are many possible moral rules that bear on Alison's situation - company policies, the law, rules in accounting codes of ethics, and others that we just make up. Rule Utilitarianism says one morally ought to follow whichever rules are such that if generally followed, they would have the best consequences overall. So you can't simply show that an action breaks some

rule or other and conclude that the action is wrong according to RU - you have to show that the rule you focus on is one that plausibly would have better consequences than the alternatives. Since there are almost countless possible rules bearing on any situation, we need to simplify, and that's why above I just compared the consequences of two different rules, one that would condone paying the invoices early and one that would not.

2) Along similar lines, people often get confused by the idea that you must conform to that set of rules *the general acceptance of which* would maximize the balance of pleasure over pain. People sometimes take "general acceptance" to mean that RU is saying you must conform to generally accepted rules. That's not right. The problem is that you can't just assume that the rules people generally follow are the rules that really would have the best consequences if generally followed. We stipulate that the rules we are imagining are generally followed, because rules that are widely ignored would have little impact either way.

3) Both AU and RU are concerned, ultimately, to maximize net good consequences - the difference comes in whether we consider the consequences of a particular action or the more general consequences of a certain *kind* of behavior (everyone following a rule). For a successful RU analysis, you need to make it clear that you're looking at the consequences of everyone's following the rules, not just the effects in this particular case.

Rights View

Humanity (Respect for Persons Principle)

1) You *do* need to make clear who (if anyone) is being used merely as a means, and why. Respecting people as rational beings usually means being honest with them, so that others can make rational decisions based on the truth, which is why paying the invoices early violates FH. Other cases, of course, may involve treating people as mere means in different ways, e.g., coercing them, manipulating them, harming them, and other ways of treating them that amount to ignoring their status as autonomous choosers, that is, their right to decide things for themselves.

2) THERE'S NOTHING WRONG WITH TREATING PEOPLE AS A MEANS! You do it all the time - listening to me jabber as a means of passing the course, for example. What's wrong is treating people *merely* as a means, with no respect for what they are owed as persons. This is a very important distinction, and I'll be looking for you to be aware of it.

3) Technically speaking, there's nothing wrong with treating a *company* merely as a means, because a company is not a person in Kant's sense (even though companies are considered "artificial persons" for legal purposes). That's why, above, I said that by paying the invoices early, Alison would be wronging her superiors, not wronging the company itself.

From Justice point of view – Look at fairness

END OF ASSIGNMENT 1

ASSIGNMENT 2

Complete the following statements. Next to the corresponding number write the appropriate word(s) in your answer booklet.

Question 1

(15x1 = 15)

- a) The principle of employment at will is opposed to the doctrine that employees have a right to **fairness / due process**
- b) A “bait” and “switch” scheme, like a fictitious sale price, is a variety of **misrepresentation** and violates one of the basic duties of the contract view.
- c) The glue that holds an organization together, in the rational model, are **contractual** agreements.
- d) **Unions** are a legitimate countervailing means for balancing the power of the large corporation.
- e) **Free riders** are individuals who enjoy the benefits of a good without paying their share of its costs.
- f) **Strict liability** is the legal doctrine that holds that the manufacturers must bear the cost of injury resulting from product defects regardless of fault.
- g) **Law of agency** are the legal duties of employees toward their employers.
- h) **Potential conflict of interest** is when an employee has an interest that might influence the judgments he/she makes for the employer when performing a certain task for the employer and has actually been given that task to perform.
- i) **Bribery / Commercial extortion** occurs when an employee demands a consideration from persons outside the firm as a condition for dealing with favourably with those persons when the employee transacts business for the firm.
- j) **Insider trading** is the act of buying and selling of a company’s stock on the basis of “inside” information about the company.
- k) **Task significance** is the degree to which the job has a substantial and perceivable impact on the lives of other people.
- l) **Employment at will** is the doctrine that, unless employees are protected by an explicit contract, employers may dismiss their employees for good cause, for no cause or even for causes morally wrong, without being thereby guilty of legal wrong.
- m) Affirmative action programs can be defended either as a form of **compensation** or as an instrument for achieving social goals.

- n) **Due process** is the right to a fair process by which decision makers impose sanctions on their subordinates.
- o) Discrimination that is the result of the isolated behaviour of a single individual **noninstitutionalised** discriminatory behaviour.

CASE SENARIOS

Case scenario 1

The head of a research unit requests permission to review another research group's proposal in case she can add information to improve the project. Her covert intent is to maintain her current power, which will be endangered if the other research group carries out the project. Using her informational power base, she covert means to introduce irrelevant information and pose further questions. If she sufficiently confuses the issues, she can discredit the research group and prevent the project from being carried out. She covers these covert intents and means with the overt ones of improving the project and reviewing its content. This relates to Corporate politics.

Question 2

2.a) What type of tactics would you say the head of research used?

(10)

Proposed answer

- Political tactics
- Use of non-formally sanctioned power tactics to advance their own aims
 - Aims in conflict with the best interest of the organisation
 - Blaming or attacking others – Minimising one's association with plans or results that are failing or have failed and blaming one's rivals for the failure. By introducing irrelevant information and pose further questions so others could be blamed.
 - Controlling information – Withholding information detrimental to one's aims or distorting information. Her covert intent is to maintain her current power, which will be endangered if the other research group carries out the

project. Using her informational power base, she covert means to introduce irrelevant information and pose further questions.

- Ingratiation – Praising superiors or with power and making them feel that one admires them or developing good rapport with them. She covers these covert intents

Case scenario 2

You are a sole practitioner who used to provide a range of accountancy services for a small company (Company A) that owns a hardware shop in the town where you practice. Following a brief retendering process, the client chose to engage an alternative firm of accountants. Both you and the other firm had been asked to tender for a range of services, including the preparation of year end accounts, tax compliance work, and a due diligence exercise in respect of the intended purchase of a small hardware business in the neighbouring town. You believe that you were unsuccessful in the tendering process on the basis of cost alone, as Company A is not very profitable, and suffers from the competition of the other hardware business that it intends to acquire.

You are the continuity provider for another local sole practitioner. Two months ago he suffered a heart attack, and so you are currently acting for a number of his clients. He is not expected to resume practising for another two months. One of the clients of the incapacitated practitioner (Company B) operates a shop selling electrical goods. The director and majority shareholder has called you to arrange a meeting to discuss a business venture that he is considering. At the meeting, the client explains that he intends to make an offer for the same small hardware business that Company A is seeking to acquire. He is aware that there is another bidder for the business, but is unaware that it is Company A, or that Company A used to be your client.

When the meeting is over, you start to feel uneasy. You want to help Company B and provide a valued service on behalf of the practitioner for whom you are the continuity provider. But you realise that you are also in possession of confidential information concerning the plans of your previous client. You are aware of Company A's problems and its motivation for wishing to acquire the business.

Question 3

3.a) Cite from the case the ethical dilemma you might find yourself in and not tarnish your reputation or profession?

(5)

PROPOSED ANSWER

Ethical dilemma - Ethical dilemmas occur all too frequently in everyday life. There is rarely a clear answer regarding right and wrong. Instead of being able to rely on external standards, people have to rely on their morals and values to navigate such situations.

A **Conflict of interest** is an ethical violation, particularly when an employee knowingly acts in a way that is contrary to the interests of her employer

Conflict of interest – When an individual in a certain job have an ‘interest’ that might motivate them to do that job in a way that may not be in the best interest of the firm.

You want to help Company B and provide a valued service on behalf of the practitioner for whom you are the continuity provider. But you realise that you are also in possession of confidential information concerning the plans of your previous client. You are aware of Company A’s problems and its motivation for wishing to acquire the business.

You have responsibilities to the practitioner for whom you are the continuity provider, and to his clients. You may assume that the target business has a premium value to Company A, because Company A already owns a similar business. However, this is confidential information (which would give Company B a competitive advantage in the bidding process). You must not breach the fundamental principle of confidentiality. In addition to your professional body’s code of ethics, you should consider any applicable laws and regulations.

3.b) How will you safeguard your reputation and that of your profession?

(4)

PROPOSED ANSWER

When an individual forms a relationship, personal or professional, he may begin to desire and work towards certain goals.

Avoid hiding your roles and responsibilities. Disclosing your or companies interests.

An employee may be fully aware that she is participating in a conflict of interest, but oftentimes, people don't know that their actions are violating company rules and guidelines.

Students could discuss other elements on how to ensure one is not violating the terms of your employment.

You must not disclose to the director of Company B any confidential information gained from your former relationship with Company A. Nor may you use the information for the advantage of Company B or for your own personal benefit. Your problem is complicated by the fact that you are obliged to act for certain clients under the continuity agreement.

However, you must remove (or reduce to an acceptable level) the threat to the fundamental principle of confidentiality. This may be achieved by openly declaring the conflict to the director of Company B. Even so, you must exercise very careful judgement when determining how much information can or cannot be shared. In the first instance, you should evaluate the threat to the principle of confidentiality brought about by the conflicting interests of your current client and your previous client. In this case, you are likely to conclude that it is significant.

Even if you believe that the threat can be managed while you assist Company B in its bid for the target business, this may not be the perception of a reasonable and informed third party. Therefore, you should consider declaring the conflict of interest between Company A and Company B, and explaining that you cannot act on behalf of Company B in respect of the proposed bid for the target business. You still have a responsibility to your previous client, but if you need to disclose this fact to the director of Company B, you should not mention the name of that client. Such disclosure should be documented. If pressure is put upon you to disclose the name of the other bidder, you should resist. Under such circumstances, it may be advisable to disengage from the client completely in order to effectively safeguard the threat to confidentiality. This will be a measure of last resort, as you are expected to provide continuity of service to Company B, and also act in the interests of the practitioner who is incapacitated.

You should keep the incapacitated practitioner informed, if possible. In any event, you should document, in detail, the steps that you take in resolving your dilemma, in case your ethical judgement is challenged in the future

- 3.c) Identify the affected parties and who should be involved in the resolution?
Discuss in detail.

(6)

PROPOSED ANSWER

Key affected parties are you, Company B (and its director), Company A (and its directors) and the target business (and its owners). You should also consider the practitioner for whom you are acting as continuity provider.

Marks awarded for elaboration

Case scenario 3

Motor vehicle accident

In one case, a lawyer represented a defendant in a case involving injuries from a motor vehicle accident. The claimant was badly hurt but recovering. To determine the extent of the current injury, the claimant agreed to be examined by a doctor hired by the defendant's lawyer. The doctor discovered that the claimant had a heart problem, which was almost certainly caused by the accident, and forwarded this information to the lawyer.

The heart problem was serious and could cause further injury to the claimant, but the lawyer did not disclose this information to the claimant, because he was representing the defendant and disclosing this unknown injury could increase the amount the defendant would have to pay to the claimant in settlement negotiations.

Question 4

- 4.a) Why was the claimant not given the information in this case by the doctor hired by the defendant, or by the defendant's lawyer?

(5)

PROPOSED ANSWER

The claimant was not given the information to reduce the amount of settlement negotiations because information was private.

Right to privacy - The right of persons to determine what, to whom, and how much information about themselves will be disclosed to other parties.

Privacy enables **intimacy**: intimacy involves sharing confidences which requires *having* confidences

Privacy enables various professional relations to exist

- attorney-client
- doctor-patient

Protective functions of privacy

- prevents others from **acquiring information** about us that would expose us to shame, ridicule, or even blackmail
- **keeps others out** of our business: leaves room for unconventionality
- **protects those we love** from having their beliefs about us shaken
- protects us from **self-incrimination**

- 4.b) What are the reasons for not providing the information to the claimant? Discuss in detail.

(5)

PROPOSED ANSWER

To avoid further claims from the claimant. One of the most **important** elements of **confidentiality** is that it helps to build and **develop trust**. It potentially allows for the free flow of information between the client and confidante and acknowledges that a client's personal life and all the issues and problems that they have belong to them. No consent given by claimant to disclose the information.

Confidentiality is a critical aspect of your **duty of care**.

All clients have the same rights as everyone else in the community, regardless of whether they have a physical or psychological disability. Their **confidentiality** must be respected

Total Marks for Assignment 02: 50