NAF Professional Ethics

Lesson 7

Ethical Misconduct in the Workplace

Teacher Resources

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Teacher Resource 7.1

Quiz: Government Regulation and   
Social Responsibility

Student Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_\_

Directions: Respond to the questions below in complete sentences.

1. Why is it necessary to regulate business?
2. How did the US Sentencing Commission make businesses more accountable for the ethical behavior of their employees?
3. Explain why the Sarbanes-Oxley Act was passed, and describe one way it helps to prevent ethics violations.
4. How do the US Federal Sentencing Guidelines make sure that companies have effective codes of ethics in place?
5. What does it mean for a business to be *socially responsible*?
6. Name two types of programs that businesses may have as part of their corporate social responsibility efforts.

Teacher Resource 7.2

Answer Key: Government Regulation and   
Social Responsibility Quiz

While student answers will vary, this answer key contains the basic knowledge and concepts that should be included in student responses. Use your preferred scoring or point system to assess the quizzes.

1. Why is it necessary to regulate business?

Congress has passed antitrust laws to prevent monopolies, and consumer safety laws to ensure that products are safe for the market. Labor laws ensure that employees are treated fairly. In recent years, there have been several accounting scandals in some of the most important—and deregulated—industries: energy, telecommunications, and banking. Some companies in these industries “cooked their books,” or altered information about their earnings and losses in order to increase their profits. As a result, people stopped trusting business in general and began to assume the worst in every company. So Congress passed new laws ensuring proper record-keeping and reporting to hold companies accountable and to increase consumer confidence.

1. How did the US Sentencing Commission make businesses more accountable for the ethical behavior of their employees?

The US Sentencing Commission was created in 1984 to ensure that corporate crimes received hefty enough punishments to be effective deterrents. The Commission creates the Federal Sentencing Guidelines, which assign specific fines and prison terms to different crimes like fraud, tax offenses, antitrust violations, bribery, and money laundering. In 1991, the Commission switched the Guidelines in order to hold companies even more accountable: before, the individual was punished for the crime; now, the entire company could be held liable even if only one employee broke the law.

1. Explain why the Sarbanes-Oxley Act was passed, and describe one way it helps to prevent ethics violations.

Congress passed the Sarbanes-Oxley Act in response to a number of corporate accounting scandals. It helps prevent ethics violations by:

* Creating an oversight board for the accounting industry
* Making CEOs/CFOs certify the accuracy of their companies’ financial statements and the effectiveness of the company’s controls over financial reporting
* Fining executives for false certification

1. How do the US Federal Sentencing Guidelines make sure that companies have effective codes of ethics in place?

They require companies to have compliance standards that they must share with their employees through training programs and/or publications.

1. What does it mean for a business to be *socially responsible*?

It is the belief, at the corporate level, that individuals, groups, organizations, corporations, and governments have a voluntary responsibility to society. In practice, it can range from legal compliance to corporate philanthropy (donating time, goods, services, or money).

1. Name two types of programs that businesses may have as part of their corporate social responsibility efforts.

Answers will vary but should include two of the following: cash contributions, in-kind contributions, corporate volunteer programs, corporate foundations, cause-related marketing.

Teacher Resource 7.3

Presentation Notes:   
Globalization

Before you show this presentation, use the text accompanying each slide to develop presentation notes. Writing the notes yourself enables you to approach the subject matter in a way that is comfortable to you and engaging for your students. Make this presentation as interactive as possible by stopping frequently to ask questions and encourage class discussion.

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| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide1.JPG  As you know, we are living in a world in which business and trade are becoming increasingly international in scope. The term for this increasing economic integration and interdependence is *globalization.* We will examine some of the ways globalization raises ethical questions and challenges when it comes to business culture, trade, and corporate policy and practice overseas. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide2.JPG  Globalization has resulted in much more interaction between people from different countries and cultures. Sometimes ethical issues arise from ignorance or misunderstanding about people from other countries and how they conduct business. To solve this problem, many businesses pay for cross-cultural training for their employees to help make their global business more culturally sensitive.  Difficulties arise when people make assumptions about other cultures. Sometimes people believe everyone from a specific culture or country is the same, or they buy into the stereotypes they’ve heard about a country in the media. Or they think everyone is like people in the USA—even though the USA is a mix of all sorts of cultures. Think about the microcosm your own class represents: you are likely to be very different from one another, even though you all live in the same area and attend the same academy.  Sometimes the difference is a matter of how much importance a culture places on a particular value. Trust, for example, is more important in some countries than in others. Also, different countries have different ideas about appropriate behavior and ethical ways of doing business. It can be hard to strike a balance between your own cultural values, the values of the company you work for, and the values of your colleagues in a foreign country. If the foreign country’s laws are different, too, that makes it even more complicated. Some cultures have different standards regarding the treatment of employees, environmental regulations, and expectations for gifts or bribes. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide3.JPG  Particularly in developing countries, businesspeople face cultural values that may conflict with their ethical standards. Companies with years of international experience may have specific training programs and policies to guide their business transactions. Otherwise, employees face ethical dilemmas when conducting business in cultures where attitudes about corruption, human rights, workplace conditions, environmental issues, and other cultural norms are different from their own. In some countries, corruption is the norm. Bribes are a key part of their business culture. These situations create ethical dilemmas for people who value honesty and integrity.  Transparency International, an international nongovernmental organization, publishes an annual Corruption Perception Index (CPI). It is based on surveys of businesspeople, analysts, and the general public. The surveys address issues such as bribery, illegal use of intellectual property, not honoring business contracts, and money laundering. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide4.JPG  We have become interdependent with countries around the world for goods and services over the past several decades. People, ideas, and technology now cross borders everywhere. Communication, travel breakthroughs, changes in technology, trade agreements (such as USMCA), and international organizations (such as the World Trade Organization) have turned national economies into an international economy.  Supporters of expanding globalization argue that it promotes economic growth and development around the world, and that the more countries cooperate economically, the less likely they are to have conflicts. Globalization raises the standard of living in impoverished countries by giving people jobs (even if they make 40 cents a day, it’s more than they made before and it goes a lot farther than it would in the United States).  Critics of continued economic integration, including labor unions, environmentalists, and human rights organizations, argue that globalization does more harm than benefit to the world’s poor. They say that competition for the lowest production costs leads to poor environmental, health, safety, and workplace regulations. Reliance on richer countries prevents poorer countries from becoming economically independent. Another argument against it is that interdependence makes domestic economies vulnerable to market fluctuations everywhere else; our own economy is no longer insulated from the world. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide5.JPG  *Fair trade* is a global trade model that reduces poverty and promotes sustainability around the world. The fair trade movement calls for people to be paid a fair price for their labor and goods. People must have safe working conditions. Fair trade bans child labor and slave labor.  It also encourages developing countries, where the goods are produced, to uphold social and environmental standards. Harmful agricultural chemicals are banned, and so are genetically modified organisms (GMOs). Farmers must use environmentally responsible farming methods.  Fair trade farmers invest in their communities through such projects as providing scholarships and building schools. They conduct all of their business with transparent management, which means that their business practices are open to scrutiny. There are no secret deals behind closed doors.  Changing consumer preferences are driving market production. Conscious customers are paying attention and making fair trade a viable method of doing business. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide6.JPG  *Outsourcing* means pretty much what it says: going “out” to find the “source” of what you need. Companies looking for parts or labor or services to maintain or build their business often find them in other places or even other countries. Companies outsource everything from call centers, bookkeeping, advertising, and making parts or entire products, like cars. Offshoring is the official term for relocating a business process to another country.  Outsourcing saves a company money. If you could build a factory where taxes were lower, wages were lower, and the price of materials was lower, that’s where you’d build. Other benefits of outsourcing include being able to hire the best experts for specialized work, instead of taking the time to train someone on site.  Problems with outsourcing include not having direct oversight over the work or product that is outsourced. You lose some control. Language barriers can make communication difficult. And every job you give to someone overseas is a job you’re not giving to someone local. Outsourcing has become a political issue in the United States.  Nevertheless, with the rise of global trade, outsourcing work to other countries has increased dramatically over the past couple of decades. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide7.JPG  Working conditions vary throughout the world. The dark side of those variations, however, is sweatshop labor. Sweatshops are found most often in countries with few labor regulations (though they have been found in the United States as well). Sweatshops have poor, often dangerous, working conditions.  Examples of unethical working conditions include working in extreme heat or cold; working for long hours with no breaks; being paid so little that you can’t support yourself or a family; and forcing children to work. Remember the story of the Ring of Gyges? If we think we can get away with wrongdoing, Plato says, we will do it. The key is to expose abuse in order for things to change. For example, in 2010 the Gap was discovered to be forcing workers in India to work 16-hour days for less than 40 cents a day. In 2013, the Gap announced it would partner with 20 other companies to improve working conditions in Bangladesh.  The clothing industry is very labor intensive, and a lot of the inexpensive clothing we can get here in the United States may be made in foreign sweatshops. Many companies are starting to develop codes of conduct for doing business with foreign suppliers and insisting on proof of fair working conditions. | Presentation notes |
| C:\Users\Mika\Documents\Pearson\2016\February\25\Ethics_Lesson7_Presentation_ROOT_022016\Slide8.JPG  On the one hand, corruption in countries we want to do business with can cause us to do things that would not be ethical in our own country. There may also be situations in which the way we do business doesn’t seem ethical to the partners in the other country.  Technology that makes everything we do more transparent is one tool we can use to push for a more ethical global culture. It’s getting harder all the time for people to do business behind closed doors. Once corruption is exposed, a chain reaction occurs and the watching world demands change.  Professionals in every industry can influence the ethics of doing business globally. We can choose to work with companies that use fair trade, for example. The more we refuse to tolerate the unethical treatment of workers and the environment, the more pressure is put on those countries to change. | Presentation notes |

Teacher Resource 7.4

Answer Key: Globalization Anticipation Guide

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| Doing business in a foreign country is pretty much the same as doing a business deal in the United States. | |
| My guess: | I agree I disagree |
| My reason: | Doing business in other countries can be very different from doing business in the United States, depending on the country. Some differences may be cultural but relatively easy for US businesspeople to accept (for example, different expectations for behavior in a meeting or at a business lunch), while other differences may be profound and troubling (for example, an expectation of receiving bribes or an acceptance of poor working conditions). |
| I learned: |  |
| In some parts of the world, giving and receiving bribes is a normal part of business. | |
| My guess: | I agree I disagree |
| My reason: | Some parts of the world have high rates of corruption—higher, certainly, than in the United States. In these countries, giving and receiving bribes may be considered a typical element of doing business. US businesspeople must determine how they will respond in such situations. |
| I learned: |  |
| *Fair trade* means a product came from a place that has good trade agreements with the United States. | |
| My guess: | I agree I disagree |
| My reason: | Fair trade means that the workers have received a fair price for their labor and goods. Fair trade products also often have higher environmental and social sustainability standards. |
| I learned: |  |
| ***Outsourcing* means a business finds its raw materials from sources outside the United States.** | |
| My guess: | **I agree I disagree** |
| My reason: | Outsourcing refers to shifting parts of a company’s process to outside contractors, sometimes overseas. |
| I learned: |  |
| **Sweatshops are places, such as factories, with very bad or dangerous working conditions.** | |
| My guess: | **I agree I disagree** |
| My reason: | True: sweatshops are factories, often clothing factories, with dangerous or very unhealthy working conditions. |
| I learned: |  |

Teacher Resource 7.5

Guide: Misconduct Research

The goal of this activity is to give students an opportunity to practice their research skills while also learning more about ethical issues in their academy field. It prepares students for the work they will be doing on their culminating projects as well.

Students will conduct research on examples of professional misconduct in their academy field. To guide their research, you need to provide them with a list of potential ethical dilemmas or topics in that field. A few items are listed in various academy themes to help you get started.

Business/Finance

* Sweatshops in foreign countries
* Outsourcing
* Cooking the books: financial accounting malpractice

Health Sciences

* HIPAA/patient privacy violations
* Medicare fraud
* Medical mistakes vs. malpractice

Hospitality/Tourism

* Pollution (e.g., dumping of waste by cruise ships)
* Health and safety violations, food poisoning
* Providing services to a client/group that goes against personal beliefs (i.e., are you obligated to provide services to a client even if you don’t believe in what that client stands for?)

Information Technology

* Hacking/activist hacking
* Cooperating with government surveillance, privacy concerns
* Protection of minors online (e.g., age restrictions on websites)

Other Topic Ideas

Consider generating your own list of famous people, court cases, businesses, locations, and so forth that could serve as examples of misconduct. For example, the Henrietta Lacks case or the Tuskegee experiment in health care, Enron or Bernie Madoff in finance, or for IT, some of the issues raised by Edward Snowden’s leaks.

Mistakes or Misconduct?

When discussing these topics with students, it is important to help students differentiate between mistakes and deliberate misconduct. For example:

* A store manager assumes that her customers’ credit card information is safe, but a criminal finds a loophole and is able to steal data. That is a mistake by the store manager.
* A store manager is informed that her customers’ data is not secure, but she ignores the warning. Then a criminal steals customer information. That is misconduct by the store manager.

In other cases, it may be necessary to trace the situation back to determine who actually engaged in misconduct. For example:

* Multiple people are sickened by food poisoning at a restaurant. At first, the restaurant appears to be at fault. However, upon investigation, it is determined that the restaurant met all health and safety regulations and the problem was contaminated produce that was sold to the restaurant by a local farm. Now the question is: Did the farm knowingly sell bad produce (misconduct) or did the farm workers think the produce was safe to eat (mistake)?

Depending on the examples your students find, it will also be important to acknowledge the difficulty, in some cases, of determining whether an incident was a mistake or misconduct, because many people who engage in misconduct will claim ignorance or innocent mistakes when they are caught. Also, in some cases, a mistake may lead to misconduct if people engage in dishonest or deceptive practices rather than acknowledging a mistake was made. And finally, there is the issue of negligence: when mistakes happen out of negligence, there is some moral responsibility involved.

How to Do Internet Research

This assignment assumes that your students have already had some basic instruction in how to do Internet research. If not, you may wish to take additional class time to discuss how to find a reliable source on the Internet and/or how to use a search engine effectively.

You will need to give students some guidelines about what you will accept for this assignment. For example:

* Is there a specific search engine that you prefer students to use?
* Do students need to use only well-established sites, or can they use blog posts?
* What criteria should students use to determine a “well-established” site?
* How recent should the articles be? (Note: If you are allowing students to do research on historical cases, you may need to be more flexible about the dates for their research articles.)

Printing Articles or Using the Computer

At the end of this assignment, students will need to share their articles with the rest of the class. This can be accomplished by having students print out their articles. However, if that is technically difficult or if you prefer to limit the use of paper in your classroom, you can adjust the final sharing activity in Class Period 6 to be done solely on computers.

Teacher Resource 7.6

Key Vocabulary: Ethical Misconduct in the Workplace

| Term | Definition |
| --- | --- |
| auditor | An accountant, ideally from an outside source or firm, who reviews the financial books and determines they are accurate. |
| corporate social responsibility | Programs a corporation puts in place to make a positive contribution to a community or society. |
| fair trade | A trade movement that calls for people to receive a fair price for their goods and services; the movement also encourages more social and environmental sustainability. |
| Federal Sentencing Guidelines | Created by the US Sentencing Commission, these guiding principles assign specific fines and prison terms for different crimes like fraud, tax offenses, antitrust violations, bribery, and money laundering. |
| globalization | Increasing economic and business interdependence around the world. |
| outsourcing | The shifting of a company’s business processes, such as production or manufacturing, to an outside contractor, sometimes in another country (though the official term for relocating a business process to another country is *offshoring*). |
| Sarbanes-Oxley Act (SOX) | Passed in 2002, the most important regulatory act businesses must follow; it mandates standards for accurate financial reporting. |
| social responsibility | An individual’s obligation to help make society better. |
| sweatshops | Factories (often clothing factories) with poor or even dangerous working conditions. |
| US Sentencing Commission | A government agency created in 1984 to ensure that corporate crimes receive hefty enough punishments to be effective deterrents. |