SBM3204: Sustainability and Ethics

***"Critical Review- A Case Study of Microsoft"***

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# Introduction

The concept of ethics derived from diverse cultures, different philosophies and religions. Ethics is considered as the branch of philosophy which deals with the moral obligation and duty. The moral principles system is associated with what is right and wrong for society and its people. Ethics is not only considered as an important philosophy in personal life, but it also considered vital in the corporate world. The massive improvement in a communication system and globalisation has made the organisations focus on how ethically they can operate. To understand the concept and importance of ethics, the case study of one of the famous organisations named Microsoft has been taken into consideration. This study will critically review how Microsoft applies ethics to its very business decision making. Microsoft, which is a multinational technology company, was established in the year 1975 by Paul Allen and Bill Gates. Microsoft manufactures, licenses, develops, sells and supports consumer electronics, computer software, personal computer and other such similar services across the globe.

# Literature Review and Discussion - Relevance of Ethics for Business Decision

*Classical and Modern Thoughts about Business Ethics*

Most of the Classical economists had an opinion a business organisation should only have the objective of profit maximization rather than meddling with ethics. In today’s business world, maximum businesses are involved in numerous social actions and try to apply ethics in their business decisions (Miller and Thate, 2017). Whether companies should participate in social actions and increase their social environment or focus on profit maximisation only, becomes a serious topic of debate. As the expectations of society are constantly changing, the current trends influence most of the organisations to realise the responsibility towards the society and its people. Social responsibility is considered as an achievable and legitimate aim for every business (Trevino and Nelson, 2016).

*The requirement of Ethics in Business*

More than simple assessments of benet and return, we are pressing two underlying

(and stylized) suspicions regarding the relevance of “business ethics.” First, in cor-

promote contexts, “ethics” is often conand with compliance, and becomes the

domain of compliance and risk management. Compliance ofcars, of course, per-

form important roles assessing whether varying actions meet legal specications,

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In the corporate context, most of the times, people conflate ethics with compliance, which makes it the main domain of risk management and compliance. Currently, ethics is bound by legalism and structures because of which the business organisations tend to apply it diligently. According to Giddens (2013), most of the business organizations, by many standards, have become the central body in modern society, which encompass modern life to society. They provide personal identity to the people through employment, influence knowledge production and education, structure time and experience. There have been many such instances, where the business organisations have influenced the lives of the people and these instances have gone unnoticed.

According to Paswan (2015), ethical considerations started gaining importance in every occupation. It has been said that business life is not much separate from personal life in the context of morality. The term “Business Ethics” is professional ethics or applied ethics, which evaluates morals, principles and ethical issues that take place with a business environment. This concept has gained much prominence and has become the most debated business topic off late. The ethical dilemmas in a business setting attracted enormous attention from various spheres.

As the businesses operate and exist within a society and are considered as a part of a subsystem of that society, the activities and functions of the organisation should contribute to the betterment of the society (Schwartz, 2016). In order to survive in today’s business environment and society, a business should earn approval and gain acceptance of society. Without due acceptance and approval, a business organisation cannot get loyal customers (Shaw, 2016).

# Relevance of Ethics for Business Decisions in Microsoft

To survive in the market, it is essential for the business organisations to focus on two things- profit maximisation and satisfaction of the stakeholders. The most important stakeholder is the society. To carry out modern business practices, ethical considerations are necessary and the consideration of social dimensions is essential for the welfare of the broader society. Hence, it is vital for businesses to stay ethical for their own good. The case study of Microsoft has been considered as it has been ranked amongst the most ethical companies of the world list 2018 published by Ethisphere. Five categories such as leadership, reputation and innovation, governance; the culture of ethics; corporate citizenship and responsibility and ethics and compliance program were considered for the assessment of the ethical organisations across the globe (onmsft.com, 2018).

Microsoft is known for being committed towards its integrity and corporate responsibility. This has been defining Microsoft’s compliance program and work ethics. Their commitment has been expressed in their very first code of conduct, which is, Standards of Business Conduct. This was organized based on the development of trust with governments, customers, communities, investors and other such representatives. The Standards of Business Conduct reflects the integral values and culture of the organisation with which they are able to make better choices regarding their business. Microsoft strives to build an inclusive and diverse culture, which embraces learning and ensures to build a work environment where the employees can work in the best manner. Making ethical choices and taking the right decisions helps the company to build more trust with the people, partners and customers. The CEO, Satya Nadella and responsible people of the organisation believe in never compromising with their personal integrity or the reputation of the company in return for any type of short-term or long-term gain (Microsoft.com, 2019).

This tech heavyweight works hard to build trust and better relations with the stakeholders through commitment to transparent and ethical business practices. Microsoft outlined the Trustworthy Computing Initiative in the year 2002 and since then, the company has embroiled itself in efforts to make sure the privacy and security of the consumer’s data for both consumers and enterprises. A high-profile court case is associated with this initiative, which involves a U.S. DOJ (Department of Justice) demand for emails that are stored in Ireland’s data centre. A Washington based company named The Redmond, appealed a ruling by Loretta Preska, District Judge of Manhattan to provide total control over the emails to DOJ. There were warnings regarding ruling being tread on the privacy laws of Europe, which could potentially harm the growth of Cloud Computing. However, to fight these decisions, Microsoft used several technologies and communicated with media companies (eWEEK, 2019).

Amid the debate regarding ethical Artificial Intelligence, the President of Microsoft Brad Smith and CEO Satya Nadella have stressed over the commitment of the company on supporting the US military. They believe in supporting the strong defence system of the country and provide them with the access to best technology from several sources including Microsoft. They appreciate the new policy and ethical issues related to AI that is supporting the creation of warfare and weapons. As a corporate citizen, they want to raise voice and use their knowledge to address these issues through democratic processes responsibly. Most importantly, they believe that their employees might have a different opinion regarding this decision and they will never be forced to support or partake in every position of the company (Hobbs, 2018).

These cases and instances reflect that the listing of Microsoft as one of the most ethical companies in the world is justified.

# Relevance of Ethics for Small Businesses

Business ethics has become a major issue in society these days. With the advent of social media, the transparency level of the business has become clearer. Small businesses face several issues regarding ethical decisions. As every business has internal and external stakeholders, every activity or decision affects all these stakeholders, which also involves the society (Loe *et al*., 2000). There are several ethical obligations and basis of small businesses, which they have to deal with. Small business organisations are essential for the economy and its people (Weiss, 2014). When a small business starts to develop, it becomes a large corporation in future because of which, their level of social responsibility increases. A small business organisation is vulnerable to the consequence and practices of unethical business activities. These organisations should be careful about balancing their profit goals with their values and integrity so that they can reflect ethical practice through their business practices (Hoffman *et al*., 2014).

Understanding the importance and aspects of ethical responsibilities is essential for the small business ventures as it helps in contributing to building a better reputation of the organisation. In a world where unethical practices are increasing on a daily basis because of which corporate fall-outs cases are being recorded, the scrutiny processes of the government agencies and non-government agencies are also changing. There have been research studies, which show that there is not a big difference between the ethical perception of a large business owner and small business owner and their business practices (Chun *et al*., 2013).

According to McFarlane (2013), there is a significant gap in ethical and social responsibility in small business ventures. The major issues with these ventures are that the owners of these businesses have their own perception regarding the ethical standards of the business. These owners tend to create lower ethical standards and are less cautious about what they have done in the past. This increases the ethical issues in the case of small businesses. There can be situations where the small business owners will tend to make hasty decisions for short-term gain, but this would ultimately affect the long-term reputation of the organisation. Therefore, the perception of the business owners regarding ethical responsibilities and ethics affect the way they apply ethics to their business practices and business situations.

Hence, it is essential for small businesses to understand that the stakeholders demand businesses irrespective of the size. They prefer organisations that focus on their ethical practices and have concern towards environmentalism. This not only helps the small businesses to build trust with their stakeholders but also helps them enhance their financial position in the market (Audi, 2012).

# Conclusion

In this study, the importance of applying ethics in business decisions has been highlighted. Business ethics has gained immense importance over the years and it can be said that this philosophy is important for all types of organisation. With the help of a critical review of Microsoft’s ethical policies and rules, it can be concluded that the organisation has been able to enhance its reputation more by exhibiting its lawful and ethical business practices. It has always supported its stakeholders and acted morally for the welfare of society. The study also elaborates how essential it is for small businesses to apply ethics in their business decisions.

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