

# Introduction to Ethics in Practice

Prepared and presented by  
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# Session Outline

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- Introduction to ethics
- Ethics, morality and self-interest
- Ethics theories and their application
- The role of code of ethics
- The ethical decision-making framework
- Behavioural bias awareness

# What is ethics?

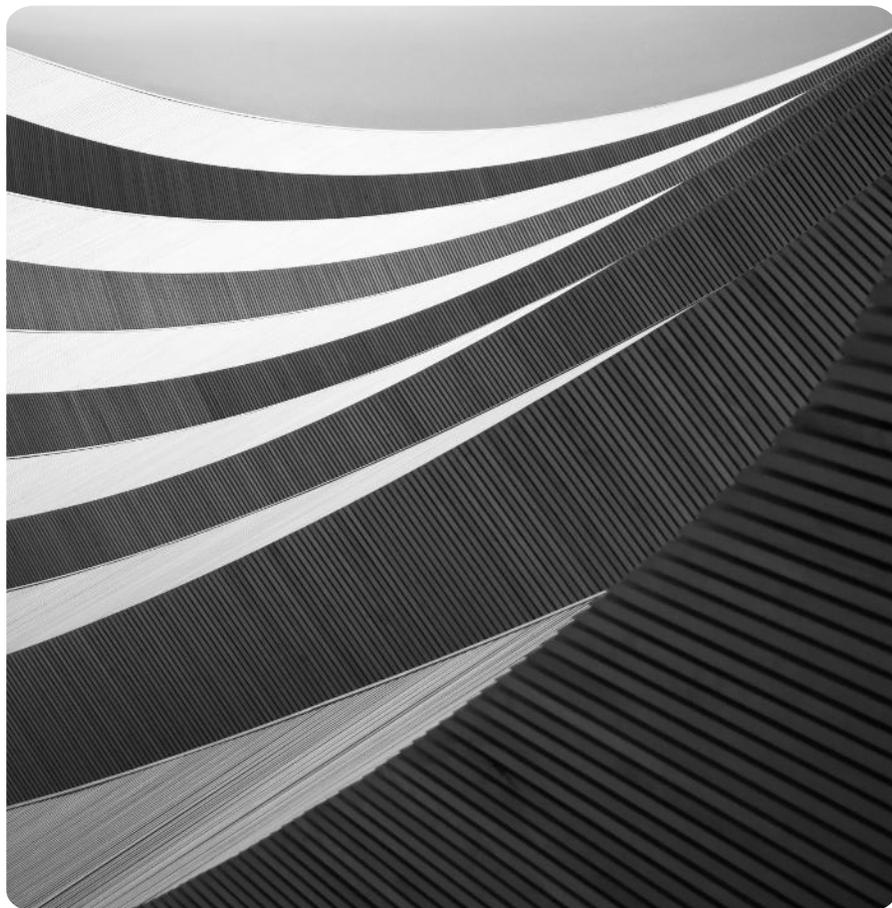
- Moral principles that govern a person's behaviour or the conducting of an activity.
- The branch of knowledge that deals with moral principles

*Oxford dictionary*

- Rational justification for moral judgments
- what is morally right or wrong, just or unjust



# Law vs. Ethics



Minimum standards vs. maximum standards  
Rules and instructions vs. guides and principles  
Can we vs. should we

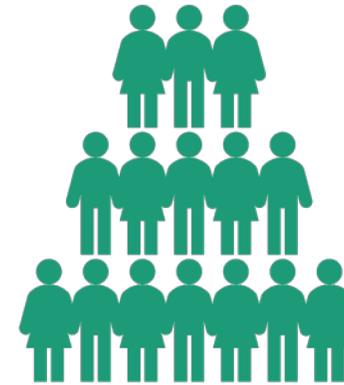
Minimum Standard vs Optimum behaviour

The Financial Advisers (FA) Code of Ethics → Legislative instrument → section 921E of the Corporations Act 2001 requires advisers to comply with the Code of Ethics.

# Morality and Self interest

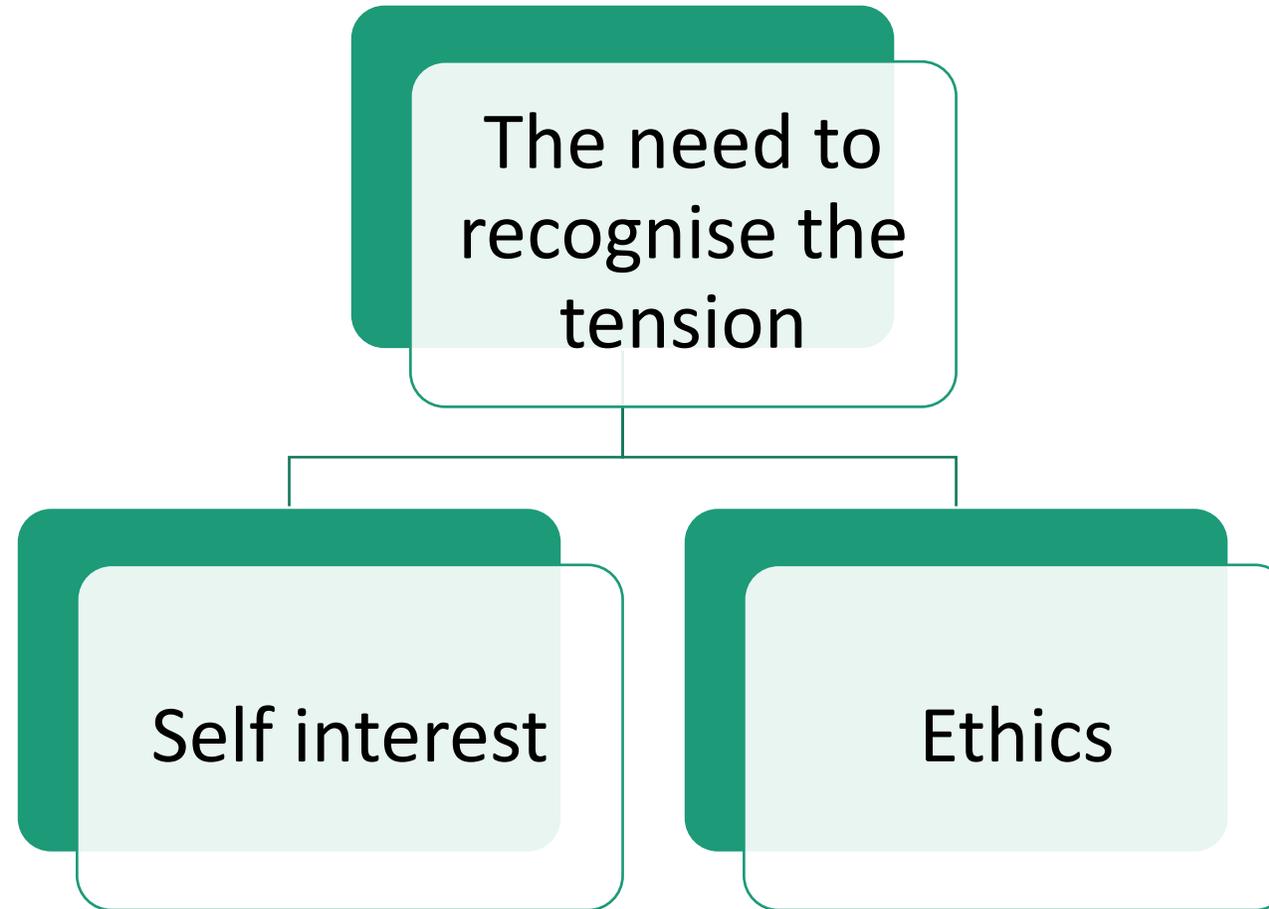


Morality involves concern for the interests of others and can come at the expense of our interests.



The main concern with self-interested motivations, is when they lead people to act at the expense of others

# Ethics and Self interest



# Ethical Dilemmas Vs Moral temptations

## Ethical Dilemmas

those more challenging situations involving “right versus right” or “wrong versus wrong” alternatives

## Moral temptations,

Involve “right versus wrong” alternatives linked more directly to our self-interest

# Ethical Thinking

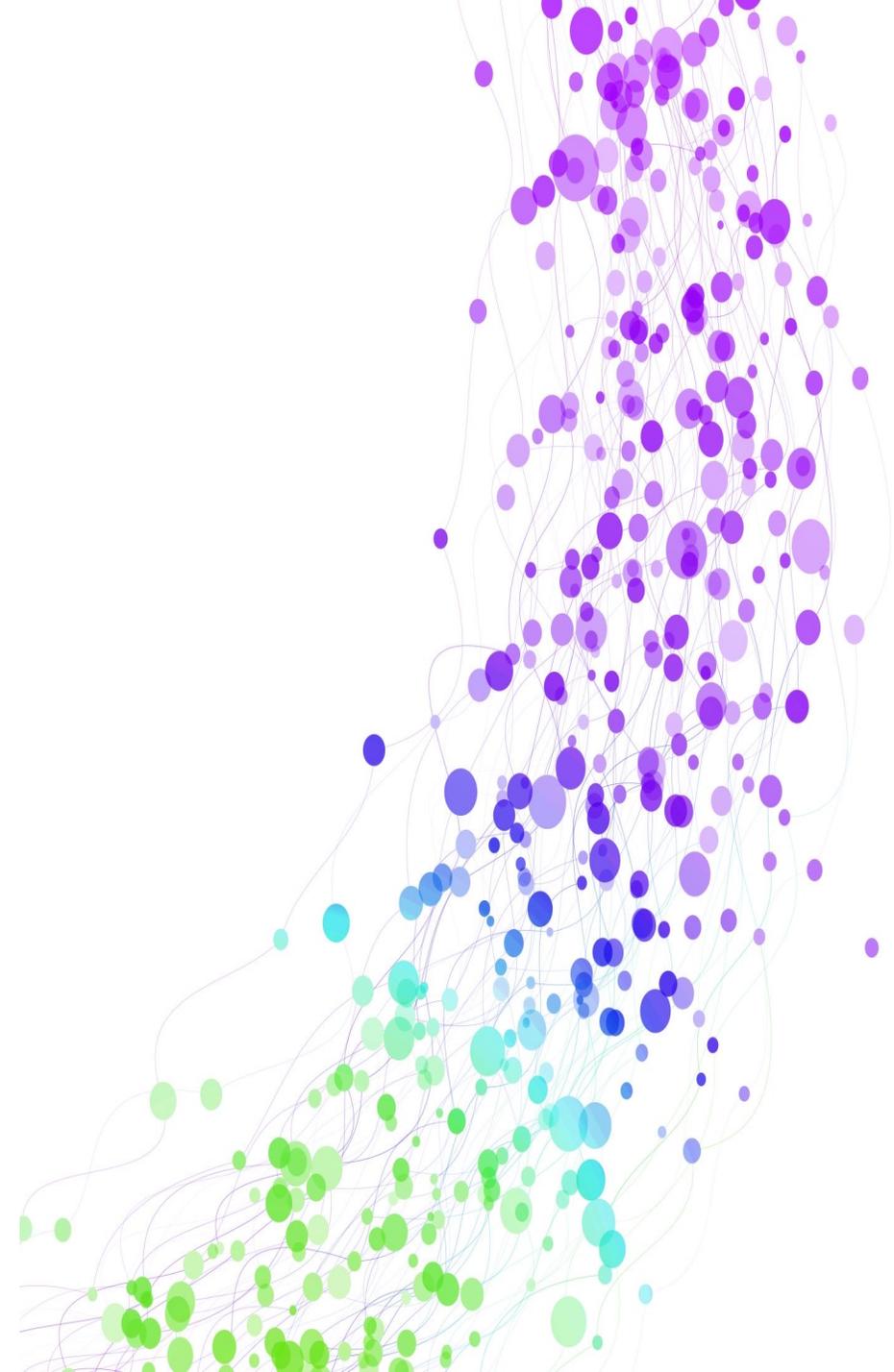
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**Ethical Thinking implies an ability to:**

Think	Think critically
Recognise	Recognise issues or practices that have moral content
See	See beyond our own personal experience
Address	Address issues from all sides
Consider	Consider the consequences of decisions, whether intended or unintended
Arrive	Arrive at a conclusion based on a systematic analysis of these arguments

## Why Ethics

- *What is the main driver for unethical Conduct*
  - *The character of the individual involved*
- *Or*
- *The situation the individual find themselves in.*



# Character Vs Situational context

- Moral Character

1. Capability → maturity, competence, Moral Value System
2. Commitment → identity, willpower, courage

- Situational context

1. Issue → complexity, intensity, importance
2. Organisational environment → communication, training, sanctions, system (peers, authority, rewards)
3. Personal context → conflict, constraint (time, financial pressure, etc.)

Example of  
situational  
influences



Obedience to authority  
Conformity with others  
Following group decisions

Incrementally engaging in unethical behavior  
Overconfidence  
Responding to incentives

# Moral development

## Kohlberg stages of moral development

Pre - conventional	Stage 1	<b>The morality of obedience:</b> Do what you're told or else there will be pain.
	Stage 2	<b>The morality of instrumental egoism and simple exchange:</b> Let's make a deal.
Conventional	Stage 3	<b>The morality of interpersonal concordance:</b> Be considerate, nice and kind – you'll make friends. Peer groups are the source of values.
	Stage 4	<b>The morality of law and duty to the social order:</b> Everyone in society is obligated to and protected by the law.
Post - Conventional	Stage 5	<b>The morality of consensus-building procedures:</b> You are obligated by the arrangements that are agreed to by due process procedures. Based on social contracts and utilitarianism.
	Stage 6	<b>The morality of non-arbitrary social co-operation:</b> Morality is defined by how rational and impartial people would ideally organise co-operation and is rooted in deontological absolutes, such as those of religion and Kant's categorical imperative.

*Source: Adapted from Rest and Narvaez, 1994: p.5; Kohlberg and Hersh, 1977.*

# Ethical Theories

## Teleological

### Outcome dependent

Consequentialism/Utilitarianism:

- Utility → Maximising happiness, justice (minimise pain) Greatest good for the greater number of people
- Framework common in business setting
- Rule utilitarian (code of rules)
- J Bentham & JS Mills
- Action centred

**'The end justifies the means'**

## Deontological

### Deon or duty based

- Fulfilling duties, meeting obligations
- Following a set of rules or principles
- E. Kant
- Categorical Imperative → 2 formulations
  1. Maxims (universal law)
  2. Treat people at ends not means
- Action centred

**'The end does not justify the means'**

## Virtue Ethics

### End goal: human flourishing

- Ethical virtues - focus on character – what our actions tell us about who we are. What virtues do we aspire to have?
- Oldest ethical theory from ancient Greece (*Aristotle*)
- Four Cardinal Virtues (courage, temperance, Justice, wisdom), modern V/Theorist added more
- Vices → Deficiency & Excess
- Agent Centred

Consider the usefulness & limitations of each of the theories when dealing with ethical dilemmas

# Ethical Theories

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- Principle-based ethics
- is not aligned to any one theory but drawn from the two most referred to ethical theories: deontological and teleological theories.
- Financial Adviser Code of Ethics
- Professional association code of ethics generally also follow principle-based ethics.

# FA Code of Ethics

Five values:



Trustworthiness



Honesty



Fairness



Diligence



Competence

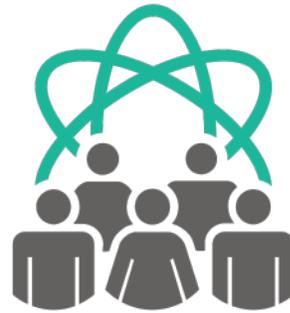
# FA Code of Ethics

## Twelve Standards

Covering the following four areas



**Ethical  
behaviour**



**Client  
care**



**Quality  
process**



**Professional  
commitment**

*Code of Ethics Guidance*

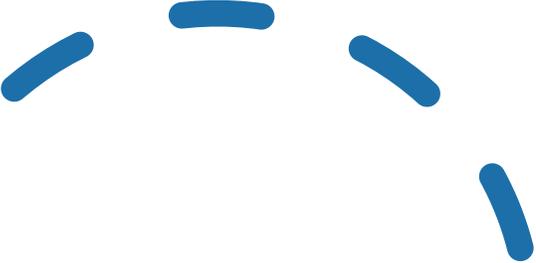
# APESB Code for Professional Accountants

## APES 110 Code of Ethics for Professional Accountants

### Fundamental principles

- Integrity
- Objectivity
- Professional Competence & Due Care
- Confidentiality
- Professional Behaviour
  - Obligations
  - Reputation of the profession

# Ethical Actions

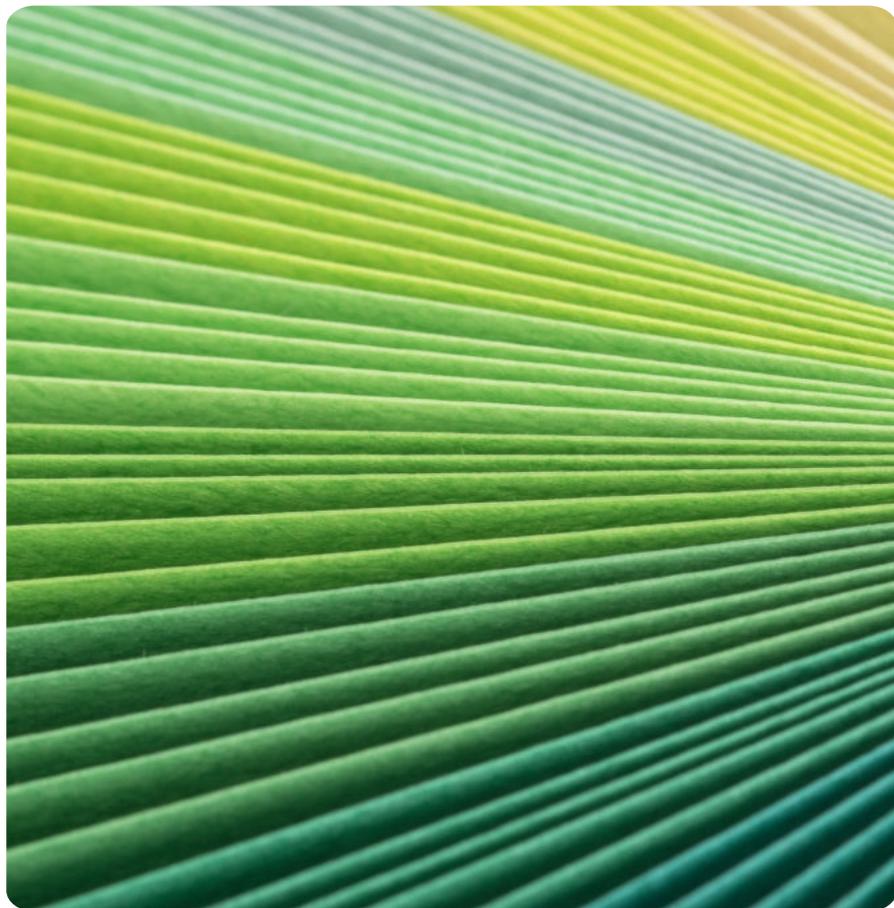


Want self

↓ Decreasing  
its influence

Should Self

↑ Take priority  
in decision  
making



# Ethical Decision Making

INITIAL AWARENESS  
OF AN ETHICAL  
ISSUE (SENSITIVITY)

LEADING TO  
JUDGMENT

FORMING AN  
INTENTION TO ACT  
(MOTIVATION)

ACTUAL  
BEHAVIOUR.

# Ethical Decision Making framework (EDMF)

## Why we need an EDMF

- Analyse, facilitate decision making
- Consistency
- Ability to reflect
- Ethical & critical thinking

## Examples of an EDMF

- Laura Nash Model → Checklist of 12 questions
- Mary Guy Model → Ten core values
- Spiral Model → Six stage Process (next slide)

# SPIRAL Model

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## Specify

the problems and the facts of the case

S

P

**Principles**  
and Values  
bearing directly  
on the case  
should be noted

## Identify

the choices  
or options  
available

I

R

**Review**  
the options  
in light of  
principles

## Act

effectively  
with clear plan  
and specific  
objectives

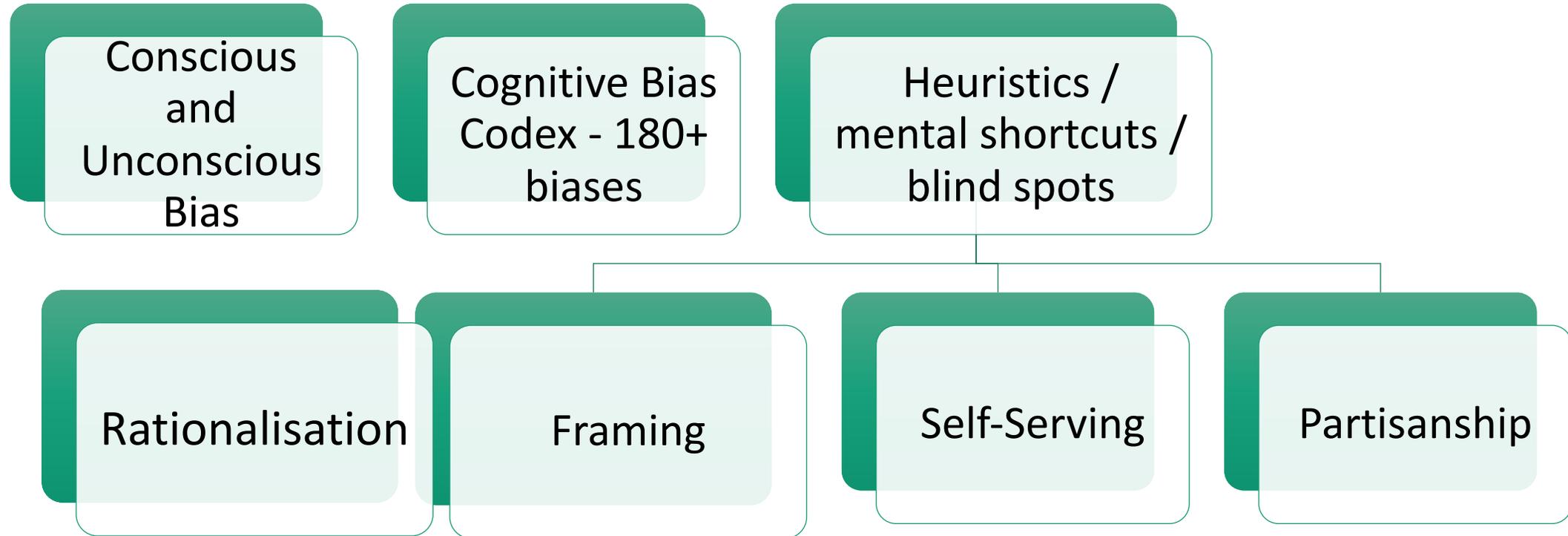
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L

**Learn**  
what you can  
by evaluating  
the results  
and outcomes  
... **and reflect**

# Behavioural Bias – Awareness is Key !

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Take the time to question, analyse and reflect !!!

# Ethics - key points

## 1 Ethics is rarely black and white

- Ethical dilemmas can be difficult and complex to deal with
- The usefulness of ethical thinking and EDMF

## 2. Ethics and self interest

- Recognising the tension between ethics and self interest
- The importance of bias awareness and to recognise their impact

## 3 Ethics in practice

- Education can assist in ethical awareness
- The power of Building habits and the ethical muscle memory

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Thank You!

Questions?

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