

# EFR summary

Ethics and Sustainability, FEM11111  
2025 – 2026



Weeks 1 to 2

## Details

**Subject:** Ethics and Sustainability 2025 – 2026

**Teacher:** dr. EWM de Bruin, dr. NL Lehmann, drs. KD Miljoen, RA

**Date of publication:** 18.01.2026

© This summary is intellectual property of the Economic Faculty association Rotterdam (EFR). All rights reserved. The content of this summary is not in any way a substitute for the lectures or any other study material. We cannot be held liable for any missing or wrong information. Erasmus School of Economics is not involved nor affiliated with the publication of this summary. For questions or comments contact [summaries@efr.nl](mailto:summaries@efr.nl)

# Lecture 1: Ethical theories

## Business ethics: functions, domains, & disciplines

- **Moral philosophy**
  - *Normative ethics*
  - Evaluate what should be considered right and wrong decisions.
- **Behavioural psychology**
  - *Descriptive ethics*
  - Explain people's right and wrong actions.
- **Management studies**
  - *Ethics management*
  - Apply management tools to facilitate moral behavior.

**Understanding ethics:** Ethics is about **principles/values/norms**, and acting morally in the right way, not just following laws. Ethics is not a simple “correct answer” system, it’s more about **critical thinking and reflection** on morality.

### Ethics, law, and compliance

Ethics: What moral dilemmas are faced?

Law: What behavior is legally required?

Compliance: What norms are to be obeyed?

### How is the ethics of an action best determined?

Core leadership dilemma: even if something is **legal and profitable**, it can still be unethical (e.g., environmental harm). 3 “lenses” to judge actions:

1. Consequences
2. Principles/duties
3. Character/virtues

## Ethical theories

Three major ethical theories, each focusing on a different basis for morality:

- **Virtue ethics** (character/person)
- **Deontology** (conduct/rules/duties/acts)
- **Consequentialism** (effects/outcomes/results)

### Effects: Consequential ethics

The effect of the behavior determines the ethicality: the action is moral if the positive consequences outweigh the negative consequences.

- Identify relevant courses of action
- For each action, identify positive and negative consequences
- Calculate the net benefit of each action
- Choose the action with the highest net benefit

Consequential ethics = moral decision-making through a **cost–benefit style logic**: pick the option with the **highest overall net benefit**.

#### Advantages:

- Fits with reasoning in market
- Application in political context, in science and in personal life (widely usable)

#### Disadvantages:

- Practical: The problem of measurement and comparison
- Fundamental: The problem of justice and rights

#### Examples of decisions:

- "It is best for the consumer that we stop selling this product."
- "We increase salaries because our employees enjoy this."
- "To contribute to society, we decrease our ecological footprint."

### Conduct: Deontological ethics I

The morality of an act is determined by the nature of the act; the obligation to behave in accordance with certain principles, duties, and rights.

So, actions are moral when they follow **principles, duties, and rights**, regardless of consequences.

**Advantages:** Clarity & consistency

#### Problems:

- Black-white (not flexible)
- What about conflicting rights or principles?
- Effects are not taken into account

#### Examples of decisions:

- "We will not pay this bribe, because it violates fair competition."

- “We inform customers about the product defects because we are obliged to.”
- “We dismiss this manager because he has broken our rules.”

### Character: Virtue ethics I

Virtue ethics judges decisions as right that are taken based on a **virtuous mind-set** and congruent with a **good moral life** (so it is about *being good*, not only following rules or calculating outcomes).

**Advantages:** Flexibility, Inspiring

#### Problems:

- Difficult to operationalize (harder to “measure” in practice)
- Vulnerable to relativism (may differ across cultures)

#### Examples of decisions:

- “Because we are an honest company, we...”
- “Because we are a client-centric company, we...”
- “Nothing is more important than being ethical. Therefore...”

**Examples of virtues:** Acceptance, accountability, bravery, empathy, fairness, forgiveness, honesty, integrity, justice, kindness, loyalty, patience, trust, wisdom, etc..

## Overview of ethics theories

### Virtue Ethics (“Be a good person!”)

- Concepts: Good life, values in action
- Philosophers: Aristotle, Saint Thomas Aquinas, Confucius
- Criticism: Limited applicability in concrete dilemmas; value conservatism and need to define virtues in quickly changing world

### Deontology (“Follow higher principles and duties!”)

- Concepts: Moral principles, duties, rights, justice
- Philosophers: Immanuel Kant, John Locke, John Rawls
- Criticism: Conflicting duties and principles; practicability versus moral rigorism; neglectance of consequences of actions

### Consequentialism (“Judge by the outcome!”)

- Concepts: Greatest happiness principle, utility, hedonism
- Philosophers: Jeremy Bentham, John Stuart Mill
- Criticism: Feasibility and complexity of assessment; inferiority of single individuals and minorities’ interest; fair distribution

## Examples of ethical considerations: sustainability

- Environmental Responsibility: Ethical duty to minimize harm to the planet.
- Social Equity: Promoting fairness and reducing inequality.
- Economic Integrity: Balancing profitability with sustainable practices.

## Why good leaders can still get ethical decisions wrong

Even experienced leaders make poor ethical calls because of how our brains work.

Common traps to watch for:

- Moral disengagement: We distance ourselves from the consequences (“It’s not my decision,” “Everyone does it”)
- Framing effects: How a dilemma is presented shapes our response (e.g., “It’s a business issue, not an ethical one”)
- Groupthink: Pressure to conform or not challenge dominant views
- Overconfidence bias: Belief that we are immune to poor ethical choices
- Rationalizations: We justify questionable actions (“It’s for the greater good,” “It’s just how this market works”)

Key takeaway: ethical dilemmas often don’t have one perfect answer, but good leaders use a **strong decision-making process**, consider multiple ethical theories, and communicate clearly.

## Some ethical dilemmas relating to accounting

- manipulating timing of **expenses**
- premature **revenue recognition**
- hiding **fraud/irregularities** for self-protection or reputation