

Business, Society & Ethics

28 February, 2019 | Lecture #17



Reconsidering Executive Compensation

UNIT #1 RECAP

BUSINESS ETHICS FROM A
PHILOSOPHICAL PERSPECTIVE



Business ethics is not
psychology



Nor is it *OB*

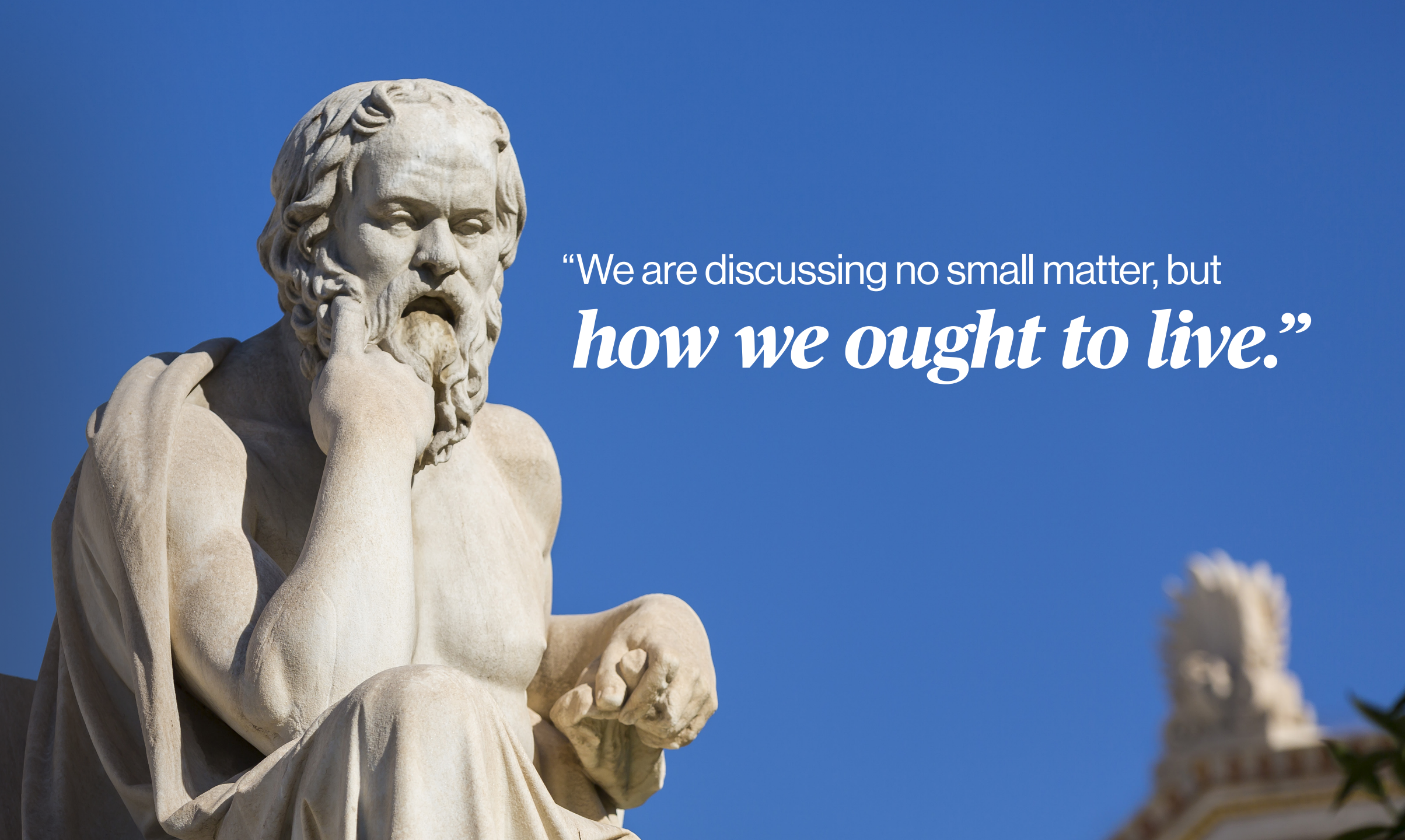


Not even *anthropology*



Law?
Not quite...

CLOCKWISE FROM TOP LEFT: ANASTASIOS71, N.D.; UNFINISHED BUSINESS, 2015; EAKINS, 1875/2012; OKAMOTO, 1968/N.D. QUOTE: PLATO, AS QUOTED IN RACHELS & RACHELS, 2012, P1



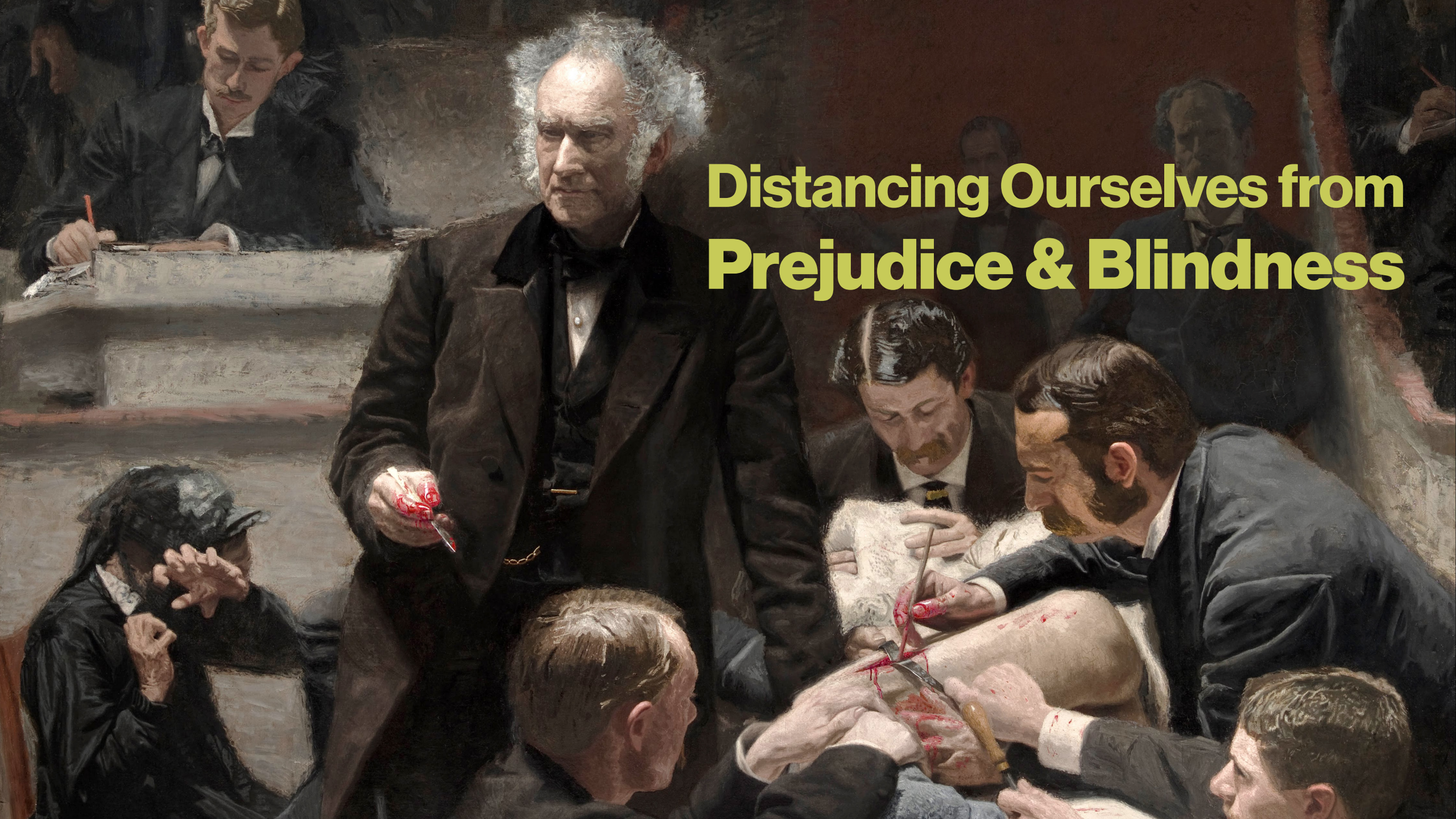
“We are discussing no small matter, but
how we ought to live.”



What ought I do?



Business ethics is about *action*
It is *practical* It is *strategic*



Distancing Ourselves from
Prejudice & Blindness

SECURE LEGITIMATE COOPERATION



AUTONOMY

UNIT #2 RECAP

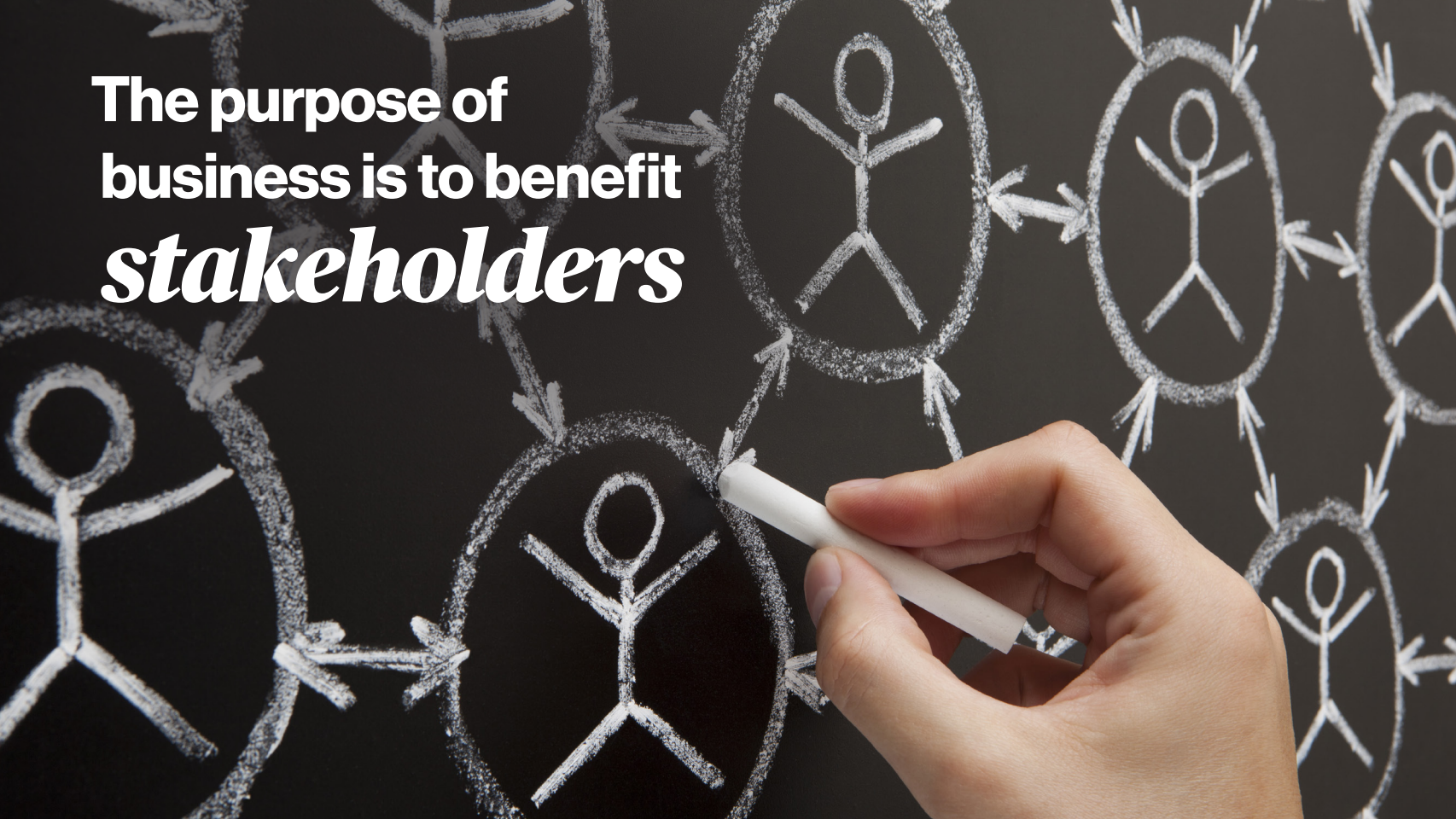
WHAT'S THE POINT
OF BUSINESS

THE PURPOSE-BASED APPROACH TO BUSINESS

HOW DO WE ENCOURAGE GOOD BUSINESS?

WHAT IS GOOD BUSINESS?

WHAT IS THE PURPOSE OF BUSINESS?



Is ethics *externally*
imposed on business?



Or may it be found *within*
business itself?



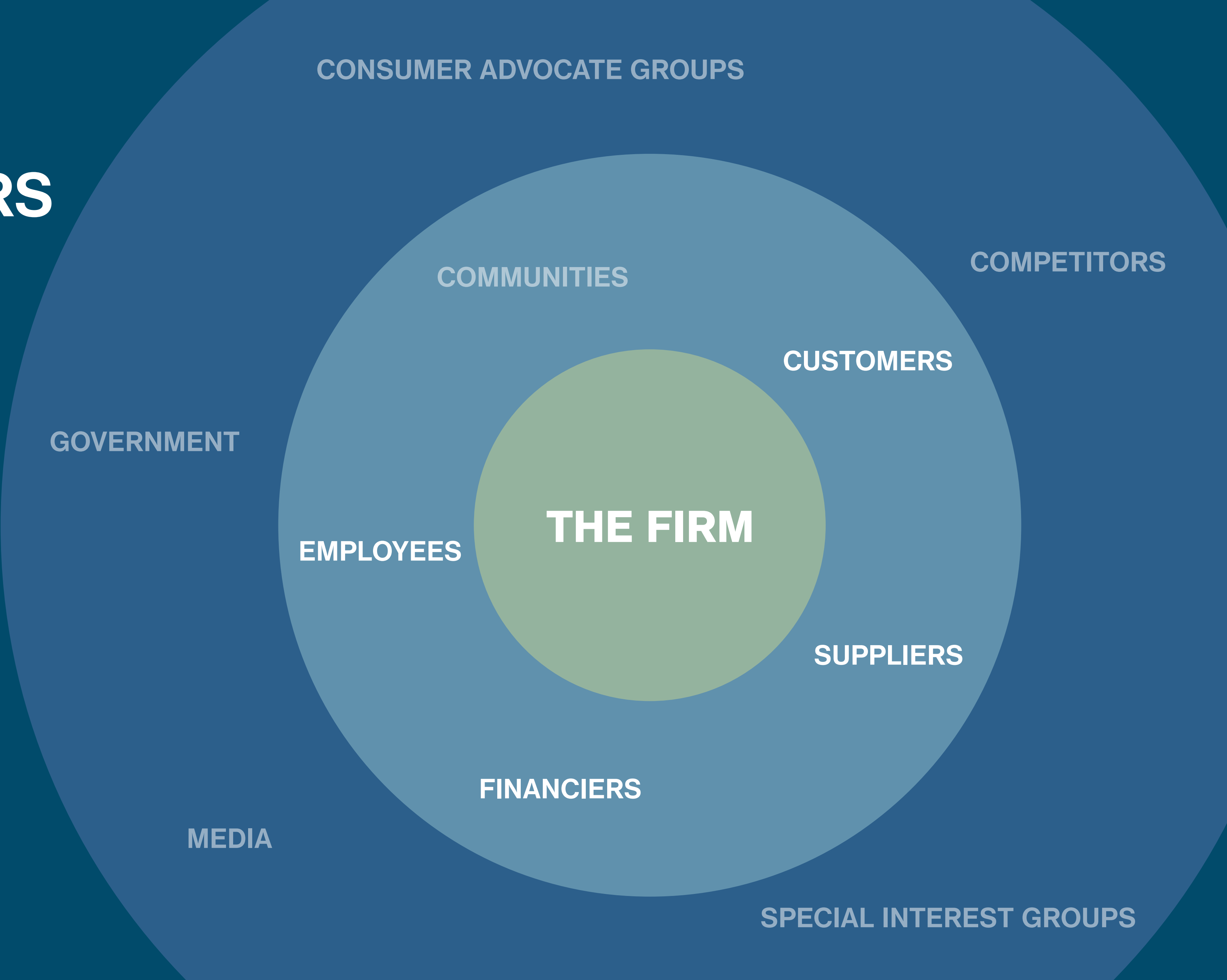
THE PURPOSE- BASED APPROACH TO BUSINESS

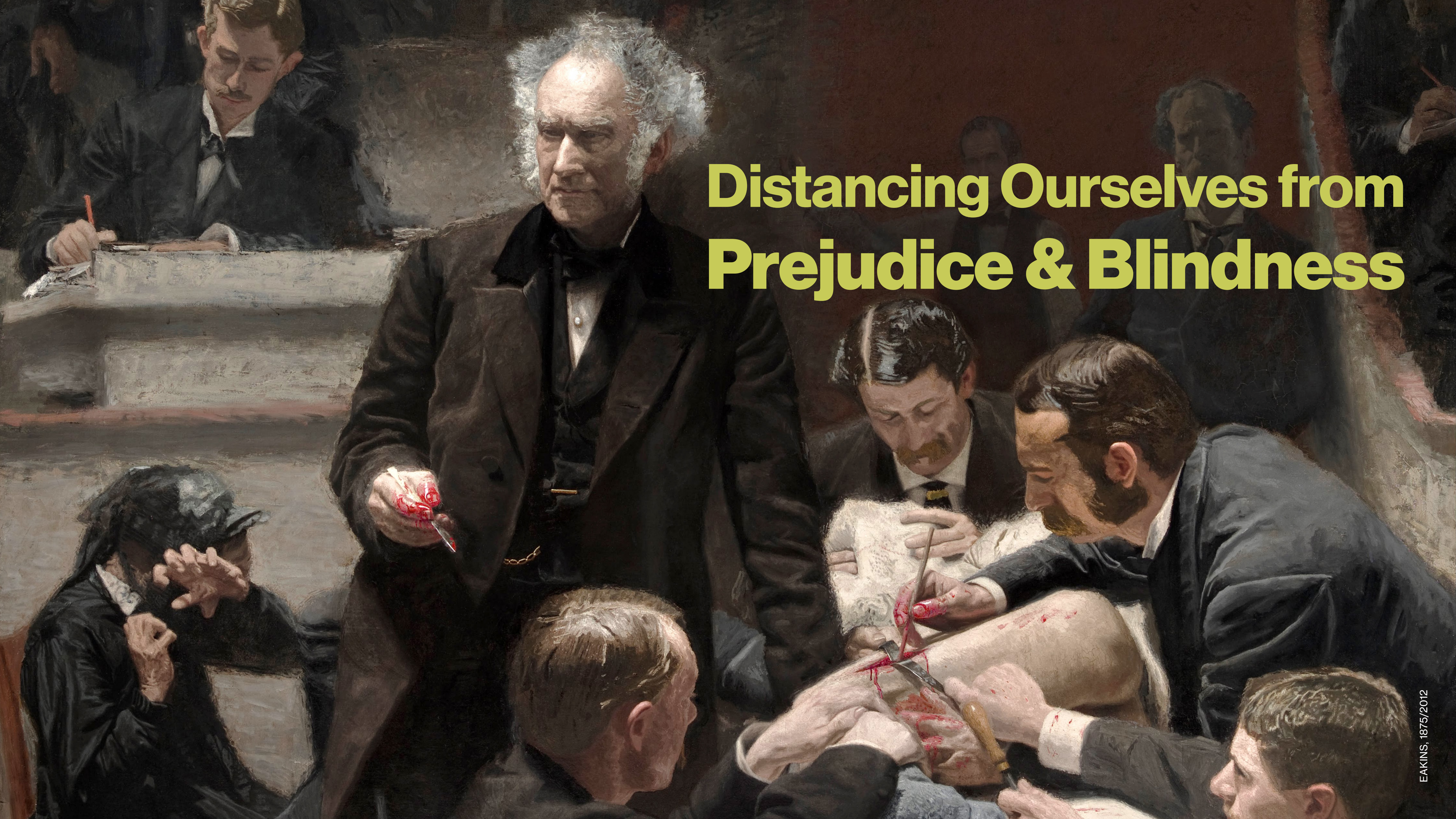
**HOW DO WE ENCOURAGE
GOOD BUSINESS?**

WHAT IS GOOD BUSINESS?

WHAT IS THE PURPOSE OF BUSINESS?

STAKES & STAKEHOLDERS IN BUSINESS



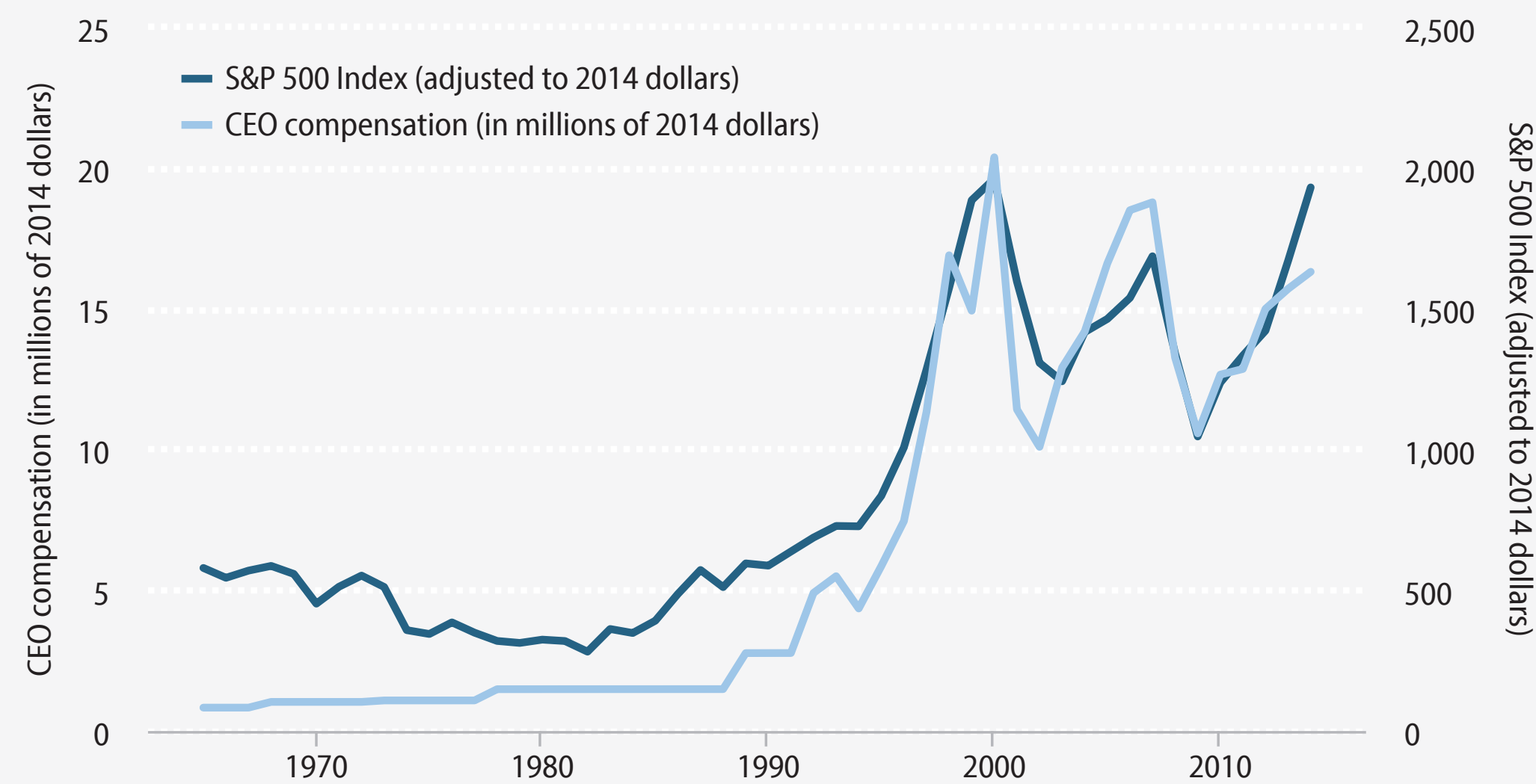


Distancing Ourselves from Prejudice & Blindness

EXECUTIVE COMPENSATION



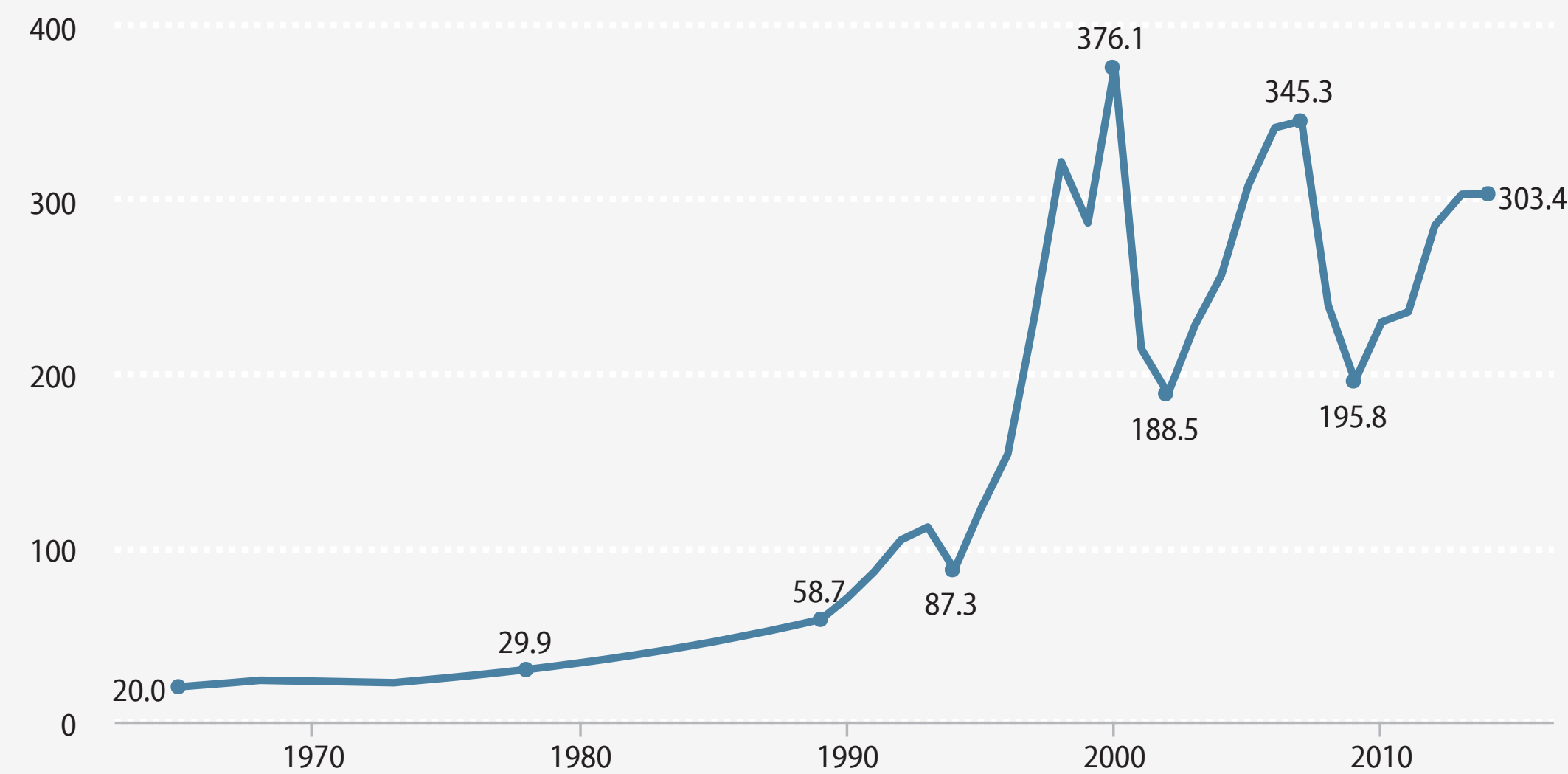
CEO compensation and the S&P 500 Index (in 2014 dollars), 1965–2014



Note: CEO annual compensation is computed using the "options realized" compensation series, which includes salary, bonus, restricted stock grants, options exercised, and long-term incentive payouts for CEOs at the top 350 U.S. firms ranked by sales.

Source: Authors' analysis of data from Compustat's ExecuComp database and Federal Reserve Economic Data (FRED) from the Federal Reserve Bank of St. Louis

CEO-to-worker compensation ratio, 1965–2014



Note: CEO annual compensation is computed using the "options realized" compensation series, which includes salary, bonus, restricted stock grants, options exercised, and long-term incentive payouts for CEOs at the top 350 U.S. firms ranked by sales.

Source: Authors' analysis of data from Compustat's ExecuComp database, Current Employment Statistics program, and the Bureau of Economic Analysis NIPA tables

Is this fair?

What is *fair*?



Agreement Argument



Desert Argument



Utility Argument



The Virtues of Employment at Will

We look further at the relationship between employer and employee. In particular, Richard Epstein (1984) argues in favor of employment at will (EAW), where either employer or employee can unilaterally end their relationship without justification to the other party.

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Acknowledgements

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