Business Ethics
An Introduction

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Business ethics can be defined as the study of the codes, rules or principles that govern—or that should govern—business decision-making, conduct, practices, and behavior. That is, business ethics is an applied discipline that seeks conceptual and theoretical clarity combined with informed decision-making, resulting in meritorious actions. Business ethics is a normative process of integrating and applying ethics to management decision-making on both the individual and corporate level, offering insights, recommendations, and, perhaps, solutions—in whole or in part—to ethical dilemmas found in the context of business.

While the formal study of business ethics is a fairly recent development in American professional philosophy, the study of business ethics, more broadly defined, reaches back to the philosophies and philosophers, and religions and theologians, of the ancient Greek, Indian, Chinese, Islamic, and Judaic worlds. Since their emergence (and continuing through today), these philosophic and religious traditions have been concerned with such “business ethics” topics as work and leisure; money and profit (versus greed); usury; wealth and poverty; leadership and stewardship; property; rights and responsibilities; philanthropy; and so on.

From ancient Greece, for example, consider the implications for business implicit in “myth of the ring and the economics of the city” found in Plato’s *The Republic*. Here Plato ponders whether people, if they had no fear of getting caught when acting unethically or illegally, would stop doing honest work. Would they, fearing no reprisal, exploit innocent persons for personal gain?

From India, one can look to classic Hindu and Buddhist texts. For example, there are insights into the nature of the duty of work in the dialogue that takes place between Krishna and Arjuna, the two principle figures in the Hindu devotional work the *Bhagavad Gita*. The Gita’s central teaching is on
ethics—an ethics concerned with proper action and the appropriate attitude toward work (karmayoga). The Gita teaches, for example, that if one does one’s duty, i.e., if one works dutifully within one’s culturally assigned “profession” (Arjuna was a warrior by caste), one does what is objectively, ethically correct.

Included among the elements of Buddhism’s Noble Eightfold Path we find the precept of “Right Livelihood,” an injunction that requires, among other things, that a person’s occupation be carried out in accordance with ahimsa (nonviolence). In the Tevīgga Sutta—a text commonly believed to express the Buddha’s own words—the Buddha, explaining “Right Livelihood,” notes that a noble person eschews the use of all trade deceptions, false weights, false measures, and so on.

A good portion of Chinese philosopher Confucius’s principle writings, the Analects, is devoted to the issues of commerce and wealth. He explains, for example, that every man desires riches, but contends that if the only way they can be obtained is unethically, then they must not be pursued. Eloquently, Confucius says, “The gentleman understands what is right; the inferior man understands what is profitable.”

The Koran, the sacred text of Islam, painstakingly details predicaments associated with wealth, charity, usury, debt, the drafting of contracts, property, and so on. And in the Hebrew Scriptures (The Old Testament), one need only to look to the Ten Commandments for a wealth of insights into “business ethics.” Surely, for many people, money and the trappings of wealth come to function as a “false god” or a kind of “graven image.” It has been claimed that by its very nature, advertising causes people to “covet.” Assuredly, certain types of sexually themed advertising promotes promiscuity and adultery and are thus forms of “taking the Lord’s name in vain.” Misleading advertisement can be said to “bear false witness” (lie). The list could, and does, go on.

Contemporary business ethics continues to debate these themes, but today the study of business ethics has greatly expanded to include issues that arise within the context of, and in relation to, contemporary business practices and activities. Below is a list of just a few of the issues that concern business ethics at the beginning of the twenty-first century:

- Affirmative action and reverse discrimination
- Stockholder vs. stakeholder rights
- Corporate governance and agency theory
Today, and unfortunately, as a leading scholar in the field of business ethics has pointed out, the term “business ethics” is far too often popularly associated with “a platform for moralistic criticism of the behavior of individual persons, corporations, or government agencies” (Beauchamp, 1998). That is, business ethics is generally associated with an “anti-business” perspective. As another scholar points out, “[Not much] business ethics literature offers examples of good corporate behavior. Most textbooks, and the media, focus on examples of unethical business behavior. While such an emphasis may sell more newspapers, it subtly works to reinforce the stereo-
typical view that business by its nature is unethical, and that to survive, much less prosper in business, demands at least a suspension of ethical norms” (Stewart, 1996).

But is business, by its nature, unethical? To survive and prosper, does business need to suspend ethical norms? To be sure, business persons and corporations have been harshly treated by journalists and academics—and many times rightfully so. One need merely consider the ethical issues involved in the Love Canal, Ford Pinto and Nestlé infant formula controversies. In the Love Canal scenario, an elementary school was allowed to be built on a tract of land where barrels of extremely toxic chemical waste had been buried. In the Ford Pinto case, The Ford Motor Company, in an attempt to save roughly $11 per vehicle, did not install a device that might have saved numerous lives. Nestlé’s attempts to sell infant formula in Third World countries is a classic example of questionable marketing practices. The list could, and does, go on.

There is considerable disagreement about the market performance of “ethically committed” firms. That is, it is hard to quantify whether “ethical businesses” financially prosper to a greater degree than do “unethical business,” for example, whether and/or to what degree “social” or “ethical” or “green” mutual funds out- or underperform general index funds or other funds not so “constrained.”

However, the general consensus, from business persons and from business ethics scholars, seems to be that good ethics is good business: a publicly stated ethical commitment on the part of a corporation does in fact seem to contribute to long-term shareholder wealth, the ultimate goal of any corporation. And while the literature currently does not adequately reflect it, there is no shortage of ethically committed companies, such as, Levi’s, Patagonia, Ben & Jerry’s, and so on.

Marketing professors Philip Kotler and Gary Armstrong further argue that whatever “harm,” if any, businesses cause to consumers and society is unintentional. Most businesses do try to deal fairly with consumers and equitably with society—if for no other reason than that they want repeat business and to avoid governmental oversight or regulation. In short, most companies attempt to avoid dishonest or injurious practices because such practices, in the long run, harm their business.

Kotler and Armstrong contend that businesses have little to gain from deceptive or injurious practices. While unethical behavior may work, in terms of producing immediate profits, in the short run, it will damage a busi-
ness’s long-run relationships with its customers, society, and the government. Businesspersons, in today’s marketing and customer-driven environment, know that treating customers fairly results in customer satisfaction, which in turn creates long-term customer relationships—the most profitable kind. And rational businesses realize that it is better to “self-police” than face governmental regulation (Kotler & Armstrong, 1999).

Arguably then, the study of business ethics does not realize its full possibilities if it limits itself to a moralizing, knee-jerk stance, against business. Business decisions are exceedingly complex and, therefore, business ethics should, *a priori*, be neither “for” nor “against” business. Rather, business ethics should not only critique, but also assist businesspersons and other interested persons, including business detractors, to think critically about the complex issues surrounding business decisions, to make informed judgments, and—for those businesspersons on the “front line”—to act accordingly.

Business ethics should help identify and illustrate the ethical dimensions found in many business practices and invite discussion about certain issues. The assumption here is that such discussion about what is right and what is wrong in this or that business decision or situation creates better, more informed or enlightened decisions.

The result of business ethics, thusly conceived, therefore may not be “agreement,” for in business ethics, as elsewhere, reasonable and informed person often hold conflicting convictions. Rather, the purpose of business ethics, as here suggested, may be to *create* just such “reasonable and informed persons” who may or may not hold conflicting opinions. And to foster such discussion, business ethics must focus on the complex circumstances in which businesspersons must make hard choices under conditions of uncertainty and disagreement, personal quandary, incompleteness of information, and temporal concerns such as deadlines.

Business ethics must, therefore, attempt to alert businesspersons, students, and critics to the numerous ethical dimensions involved with various business decisions by raising these issues for further discussion with the belief that dialogue and conversation regarding such issues result in more favorable decisions, informed critics, and enlightened businesspersons, and favorable subsequent opinions, decisions, and actions.

It should finally—and again—be emphasized, as was said at the beginning of this essay, that business ethics is an *applied ethics* and its aim is not limited only to conceptual or theoretical clarity. Business ethics also hopes to facilitate “good actions.” Business ethics must attempt to assist business persons, stu-
udents, and critics in developing the capacity to grasp problems and reason effectively, efficiently, and realistically toward practical and concrete solutions—in situations in which there is probably no single, demonstrably right answer.

This situation of “undecidability” does not necessarily entail the conclusion that business ethics dilemmas are practically irresolvable or that business ethics discussions can result only in endless discussion and theoretical quibbles.

Again, business ethics does not operate solely in the realm of theory: it is also a matter of making concrete decisions in a complex and confusing world in which some decisions must be reached and acted upon. Avoiding the issue or not making a decision, or unduly postponing a decision because of unending discussion, will have its own set of results. Thus, one should not, and cannot, be consumed or paralyzed by the theoretical ambiguity or irresolvability of many business ethics issues. That is, any theoretical dilemmas are practically, if only partially, resolvable. While this may not give comfort to those business executives and business critics who are intractable in their opinion about this or that business concern, it may nevertheless produce results that are more favorable and acceptable to all concerned.

**Suggested Further Reading**


