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Business Ethics

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This chapter is probably not your first encounter with the concept of business ethics; most modern business management texts consider the topic. However, as your knowledge of business management broadens, it is interesting to revisit the principles of ethical business practice and explore their application in greater depth. Business ethics offers a way of thinking about business management decision making that is substantially different from other areas of business management theory. Rather than ask what a business should do in order to achieve a particular objective, we simply ask what a business should do – what might constitute good behaviour. Of course, the aim of all businesses is to make profit and so, having asked what constitutes good behaviour, we can then examine how good ethical practice contribute to commercial success.

Defining business ethics

One challenge of engaging with business ethics is the risk of mild ridicule. Managers who are under pressure to generate profit within their business, might express wry amusement, commenting they cannot believe that the subject can possibly exist. In informal argument, opponents readily offer examples of wrong-doing to support the claim that business ethics is an oxymoron (Collins, 1994).

It is probably true that bad news attracts more attention than good; within the business pages of newspapers, or on social media, there is a constant stream of stories about alleged inefficiency, wrongdoing and corruption in commercial, sporting and political life. For example, between Monday 1 June 2015 and Friday 27 June 2015, lead stories in UK media included:

- The President of FIFA, Sepp Blatter, facing allegation of corruption (Halliday, 2015).
- Jail sentences for four bankers in the collapse of the Icelandic bank Kaupthing.

- A case brought against a UK MP for electoral misconduct (BBC News, 2015).

This flow of stories about bad behaviour helps explain a cynical response to the examination of business ethics; with bad behaviour so prevalent, can it ever be worthwhile trying to identify good behaviour?

As soon as you describe behaviour as 'bad', on what grounds do you make that claim? You might argue that bad behaviour leads to inefficient outcomes; in legal terms, bad behaviour might be unlawful or illegal. Yet, in the day-to-day discussion of corporate behaviour, we quickly move beyond 'lawful or illegal' – a corporation may do things which are entirely legal and yet the general population regards those actions as 'bad' or 'unethical'.

Example: Starbucks has used legal rules regarded by many as 'loopholes' to reduce or evade the payment of UK corporation tax (Hickman, 2015).

Consider when you first began your business management studies. You could probably have loosely defined terms such as 'management' and 'business'. Now, though, you should be able to define these terms much more precisely, and to recognize, for example, that there are many entities to which the tools of management might be applied. You will probably think of business management studies as the analysis of the organization and behaviour of these entities. We might use names such as 'company', 'corporation' or 'firm', to define the legal forms of particular business entities, but in everyday parlance such terms are used interchangeably. We see that precise definitions and careful use of language are already important tools in your studies. Here, we simply extend such analysis to the new field of business ethics.

Ethics is a branch of philosophy. There is a wealth of academic literature which defines and discusses business ethics from every imaginable philosophical angle. In general discussion, however, we might start with a simple dictionary definition. *Chambers Dictionary* defines ethics in two ways: as a singular noun, it is the study or the science of morals (and so the philosophical study itself); (Chambers, 2014) but as a plural noun, it is the rules or principles of behaviour (the conclusions of the study). For completeness, we note that *Chambers* defines morals as a sense of right and wrong, or a standard of behaviour based on such a sense. In speaking of ethics, then, we might mean awareness of what constitutes good or bad conduct, a set of principles allowing us to determine what might constitute good or bad behaviour, or else the systematic study and classification of behaviour as good or bad. In academic study, we shall usually rely on this last definition.

Turning now to define business ethics, here we treat it primarily as a form of academic enquiry, (Marcoux, 2008) and just one sub-field of applied ethics. For people who are engaged in business, ethics might be their own awareness that the conduct of business dealings might be seen as being right or wrong, or indeed, self-appraisal of their dealings, invoking Adam Smith's impartial spectator (Fleischacker, 2015). In addition, for people who are members of a profession, such as lawyers, accountants or doctors, we might interpret business ethics as being embodied within codes of practice that have been laid down over many years to allow members of these professions to distinguish between good and bad behaviour.

Example: When new staff join a company, they are often asked to sign a confidentiality agreement, in which they undertake not to share a company's commercially confidential information with external bodies unless the employer gives permission.

de George (2012) defines the practice of business ethics as "the long tradition of applying ethical norms to business, just as it has been applied to other areas of social and personal life".

In this context, we also find it useful to refer to the definition of business ethics offered by Crane and Matten (Crane and Matten, s, activities and decisions where issues of right and wrong are addressed".

Exercise

Select three definitions of business ethics. One should be from a textbook, one from an academic journal and one from a more general journal or modern media source. Reference them in Harvard style. Identify the similarities between the definitions and the areas in which they differ.

Why are business ethics important?

Think for a moment of how our daily lives are affected by the conduct of business. Every product, every service, our food, our transport, our leisure – all are created, managed and disposed of through active businesses. We make choices about what we buy or do, but even if we actively seek to minimize our contact with the world around us, it is almost impossible to avoid commercial activity. So, since business plays such an important part in our lives, we have a legitimate interest in how that business is conducted

Everyday ethics example

You go into a shop to buy a can of Coke, costing, say 70p. You ask for a can of Coke and hand over a £1 coin, the shopkeeper hands you a can of Coke and 30p

in change. This is a very simple everyday transaction. What are your mutual expectations, beyond a reasonable degree of good manners?

<p>Customer A genuine can of Coke, not a fake A can of Coke which is within date The correct change</p>	<p>Shopkeeper Legal tender, not a fake coin You will not attempt to steal the product</p>
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Does this transaction have any ethical import? Well, let us consider various factors. Firstly, both customer and shopkeeper have choices. They can use intelligence and good sense to make choices about where they shop, the products they offer and so on. However, once the decision is made to undertake a transaction, we enter the field of ethics. The customer has to *trust* that the shopkeeper has the correct stock, that the price is appropriate, that the can is not out of date, is fit for purpose and so on. The shopkeeper has to *trust* that the customer is going to hand over legal tender.

Let's examine another transaction, buying a product on eBay. Purchases on this popular auction website seem much more complex than the simple purchase of a can of Coke. The most obvious difference is that buyer and seller are at a distance, they cannot meet. The buyer must rely on photographs and descriptions of the product. Both must rely on the banking system to protect financial interests. Again, what can the buyer and seller expect?

<p>Buyer The photo should be an accurate representation of the product The product should be sent safely and promptly</p>	<p>Seller The buyer will pay promptly The buyer will not attempt to evade payment by false claims of non-delivery etc.</p>
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The greater complexity of this transaction is demonstrated by intricate layers of technological and legal protection. PayPal, laws on distance selling and customer feedback are all methods of protecting both buyer and seller. At base, however, we see that this transaction also depends to a large extent on mutual trust and fairness.

We can confidently assert, therefore, that business transactions are based on ethical principles – ideas such as fair price, honesty and trust.

So, at a very basic everyday level we see that our daily transactions are guided by ethical considerations. Looking at the larger corporate environment however, we can also make an argument for the examination in ethical terms of company behaviour.

- Companies have an influence on every aspect of our daily lives – we can therefore argue that a company's good or bad behaviour is of interest to us.