1

Ethical Reasoning in Business

CHAPTER OUTLINE

The nature of ethics
Ethical defeat, or 'Who cares about ethics anyway?'
Top-down and bottom-up approaches
Reflective equilibrium
Consequentialism
Nonconsequentialism (deontological ethics)
Moral pluralism
Virtue ethics
Ethical relativism
Thinking about 'What should I do?'
What is business ethics?
Business
More about business

LEARNING OBJECTIVES

When you have completed this chapter, you should

1 demonstrate an understanding of the basics of ethics
2 be able to give a rich explanation of how ethics matters to business
3 be able to apply ethical reasoning to moral problems
4 appreciate the importance of judgment in reaching responsible ethical decisions.

THE NATURE OF ETHICS

Consider this hypothetical situation. You are driving through Italy and, very early one morning, come upon a small village atop a hill. The villagers still seem to be asleep. You stop to admire the view and notice a small church, its door open in welcome to passers-by. You venture inside. The church remains beautiful despite many years of deterioration. Paintings adorn the walls and they too are in decay, their colours dulled by too many years of candle smoke. Nevertheless, one of these pictures attracts your attention: it is small but exquisite with luminous colours still shining through centuries of grime. You recognise it as a work by Renaissance painter Giovanni Bellini. You are tempted to give it a quick clean with your handkerchief and distilled water and then it occurs to you that you could save this picture from further neglect. You could just walk out of the church with it. Unlike the local priest, you would be a caring custodian. You would have it restored and preserved in a room free from smoke and humidity, where it would be safe from unscrupulous art thieves who could damage it. The more you think about it the more you see that there is a moral case for you to take the picture from the wall, walk to your car and drive away with it. Its fate in the church is precarious and you could ensure its survival. Your reward for saving it would be to enjoy it until you could no longer care for it. Eventually, it would find its way to a gallery, and future generations would be grateful that you had saved it.

Would you remove the picture? If not, why not? If you would take it, what considerations contributed to your decision?

Now reconsider this story. Do we not search out moral reasons to justify our conduct? Why? Why should ethics matter to us so much? Now look at the reasons for your decision: to what extent are they self-interested? Can we ever separate ethical considerations from subjective preferences and self-interest?

Now, suppose you decided to rescue the picture from the church. As you try to release it from the wall, you hear a cough. For the first time you notice a small, elderly woman seated before a statue at the front of the church. She is not paying any attention to you. You could still lift the picture from the wall. Would you do it now? If not, why not?

We shall return to the reasoning behind your decision later, but notice that the questions asked here are about desires, intentions, values, commitments, affecting others, and making decisions. These are ethical questions.

This case is set up from the viewpoint of a person entering a church and being tempted to take a picture from the wall. So far there is no ethically questionable behaviour. Desiring the picture, even from selfish motives, is not usually unethical. Taking it is a different matter. This initial desire kicks off the story about rescuing a valuable painting from its decrepit surroundings and this produces the set up: should I take it or should I leave it? Is it okay if I take it? Is it okay if I don't? If ethics were so simple, it would not be very rich or useful. There is another way to tell this story that moves us beyond ourselves and this simple set-up.

You walk into the church, see the picture and are concerned with its welfare. Your concern is such that you get out your phone and ring the local heritage authorities. Recognising the painting and understanding that it is in jeopardy produce an ethical concern that triggers your call to the authorities.

Let us vary the story again. You walk into the church and see some dubious character trying to get the painting off the wall. He is too short to manage it and runs off when he sees you enter. You could still ring the police but it is early in the morning and the church is some way from the police station and you fear that the man might have accomplices he could call on, so you take the picture from the wall. You do not intend to keep it but, for the time being, your rescue looks like a theft to the woman at the front of the church who now turns around and stares at you, holding the picture, in horror.

If ethics were only a matter of rules, customs and contracts, then such questions would be relatively easy to answer. But ethical issues are often grey; people can differ on ethics as they do not on the laws of physics or the facts of geography. This is not a reason for believing that ethics is conceptually soft or trivial. Ethics is not poor reasoning or vague custom, but one of the most important sources of motivation and guidance for human conduct. It is not just a matter of gut feeling, personal opinion or accepted belief, though all of these have a place. There is something to be *known* about ethics.

Knowing about ethics is not, however, like knowing that there are 180 degrees in a Euclidean triangle or that every action has an equal and opposite reaction. You can know principles, customs and rules, but these are not like geometry or the laws of motion: they can be revised and changed, and implementing them is often a matter of judgment. Ethics is more like the art of archery than like the science of physics. Imagine you are a very good archer. You are good because, on the whole, you hit the mark you aim at. That does not mean that you hit the mark every time, and it does not mean that you do not have to judge how to hit your target or that you can explain each mistaken shot. It does mean that your general proficiency with bow and arrow makes you a good archer. Ethics is like this. It involves mastery of a practical, and therefore uncertain, skill. There are degrees of proficiency, degrees of goodness and evil. Even the most forsaken people seem to know this, and scramble to find some redeeming feature among their evil deeds. We discuss this below, under the heading of 'Ethical defeat'.

Here is another view of the matter, from one of the greatest of all philosophers. In his *Nicomachean Ethics,* Aristotle wrote,

> Our account of this science (ethics) will be adequate if it achieves such clarity as the subject-matter allows; for the same degree of precision is not to be expected in all discussions … Therefore in discussing subjects, and arguing from evidence, conditioned in this way, we must be satisfied with a broad outline of the truth; that is, in arguing about what is for the most part so from premises which are for the most part true we must be content to draw conclusions that are similarly qualified … it is a mark of the trained mind never to expect more precision in the treatment of any subject than the

> nature of the subject permits; for demanding logical demonstrations from a teacher of rhetoric is clearly about as reasonable as accepting mere plausibility from a mathematician.[1]

Ethical reasoning, according to Aristotle, is not a matter of finding an algorithm and then applying it to a situation mechanically to calculate a correct moral prescription. Ethical reasoning is more subtle, and less precise than this. Consider this: for some engineering requirements, it is possible to manufacture ball bearings to a tolerance of .004 inch (four thousandths of an inch). And for these purposes, the more precise the ball bearing can be made, the better. The world record for the long jump is 8.95 metres. Accuracy here is to .01 metre (one hundredth of a metre). That's about a third of an inch: a far cry from four thousandths of an inch. The subject-matter here, however, is foot- and bum-prints in the sand. The subject matter does not admit of the same degree of accuracy as the manufacture of ball bearings. This does not mean that long jumping is unimportant or vague or waffly. It simply means that it doesn't admit the precision that ball-bearing manufacture does. Not all ethical thinkers have agreed with Aristotle. Some have tried to put more precise formulations on moral duties.

Is just any system of binding rules, norms and duties a system of ethics? Is it possible to say that one system is better than another? Does not moral luck determine the circumstances of people's birth and development and therefore the attitudes they bring to life? The importance of these questions is readily apparent. If people born in Australia in the late nineteenth century believed wholeheartedly in the White Australia Policy, how can they be blamed? If a person grew up as a white child in South Africa during the Vorster regime, why is it blameworthy to have white supremacist attitudes? And who is to say that one system of social beliefs and customs, even if racist, is worse than another? These are real questions, requiring thought and careful consideration. Even if one is not to blame, however, that does not mean that their views are creditable or views that we should be sympathetic with.

Cultural relativism: Difference of beliefs, activities, or practices depending on the particular culture.

If **cultural relativism** is the case, then business must adapt to the norms and practices of the cultures in which it operates. What is unethical in Australia might be good manners in one of our trading partners. What would be poor working conditions here might be superior working conditions overseas. Sharp practice[2] might well be the norm elsewhere. Surely it is mistaken to try to universalise our standards of right and wrong in our dealings with other countries. Or is it?

ETHICAL DEFEAT, OR 'WHO CARES ABOUT ETHICS ANYWAY?'

At times, we question the sincerity of people claiming to be ethical. Perhaps we should be equally suspicious of people who claim to be amoral or indifferent to ethics. The grubby businessman, David Tweed, simply dismisses questions about the ethics of his practice of targeting the old and vulnerable

in underhanded offers to buy their shares (see Extended case 4.1 on page 92). He has been reported as saying to one of his victims, 'I didn't do morals at school.'[3]

Ethical defeat: No ethical saving grace; nothing whatsoever ethically redeeming about the action.

Usually, people are reluctant to admit complete '**ethical defeat**'—that is, to grant that their acts have so depleted their moral capital that there is nothing positive that can be said about them as human beings, there is nothing positive that can be said about a particular act that they perform. This is an important feature of human nature. It shows that, by and large, people do not dismiss ethics as unimportant. Sometimes they get it wrong—sometimes their acts are immoral—but seldom do people dismiss morality altogether. They do not simply admit to being caught with the smoking gun, with nothing to say for themselves. We are not oblivious of, or impervious to, shame or to moral argument about what we do. In this respect, we do not need to be convinced to enter the moral arena for the purpose of evaluating potential courses of action. Most people are already there, even though their moral perceptions may not be 'correct'.

This point was vividly illustrated many years ago in a newspaper report about drug trafficking in New York City: a heroin dealer pointed out to the reporter that he only sold good dope and that he never sold to kids.[4] Even at this level, the dealer is hearkening to the moral defensibility of some aspect of what he is doing. He is not oblivious to the importance of such a concern, even though, in his case, it was particularly misplaced.

So too with the horrifying case of Josef Fritzl. In 2008 in the Austrian town of Amstetten, the story came to light of a woman, Elizabeth Fritzl, and her three children imprisoned in a cellar by Elizabeth's father, Josef, for twenty-four years. Fritzl had kidnapped and imprisoned his daughter when she was 18 and raped her repeatedly over the following two and a half decades. Of the seven children he had fathered upon her, three—Kerstin, 19, Stefan, 18, and Felix, 5—had spent their entire lives in the cellar. Three others had been adopted by Josef Fritzl, and one had died. What could prompt such vile conduct is a matter for psychiatrists,[5] but even after admitting his crimes, Josef Fritzl sought to affirm something of his humanity. When Kerstin became severely ill with a form of epilepsy related to incest, he admitted her to hospital as his granddaughter whom he found ill on his doorstep. Eventually, Elizabeth Fritzl was able to persuade her father to let her visit the hospital and the full story was revealed.[6] Fritzl insists that this proves he's no 'monster'. 'I could have killed them all,' he said. 'Then there would have been no trace. No-one would have found me out. … If it weren't for me, Kerstin wouldn't be alive today. It was me who made sure she was taken to hospital.'[7]

The moral of these stories is simply that the answer to a question such as 'Who cares about ethics anyway?' is 'nearly everyone'. And, if this is the case, then we might be suspicious of the sincerity of those who dismiss ethics out of hand, and regard it as unnecessary to spend much time trying to convince people that they should be interested in the moral aspects of what they do.

Defining ethics

How is ethics commonly defined? A formal definition will go some way toward clarifying the concept, but such a definition is only a starting point.

The term 'ethics' owes its origins to ancient Greece, where the word *ethikos* referred to the authority of custom and tradition. The term 'moral' is roughly its Latin equivalent. So it seems that 'ethical relativists' have at least a good historical basis for their views: ethics and morals originally referred to the customs, habits of life or traditions of a people.

Such broad definitions would not fit modern understandings of ethics. A definition of ethics that potentially dignified any and all customs would be rejected by many people. Here is some further definition. The nineteenth-century German philosopher Georg Wilhelm Friedrich Hegel distinguished between ethics as the customary norms and ways of behaving in a society, and morality as a reflection on those norms and the deliberate generation and adoption of principles that modified them. Sometimes customary norms, such as wearing black at funerals, do not have a rational explanation. Providing reasons for advocating or prohibiting some kinds of conduct might not be the whole of ethics, but it does test and enhance traditional morality. Examples of modified moral thinking would be the growth in recognition of human rights, the condemnation of slavery, and the greater sensitivity to suffering in animals. Reflective morality is the part of ethics that modern people often take for granted. In fact, so familiar is it to us that customs and traditions can be ignored or dismissed as irrelevant. Both custom and reflection are part of ethics. Together they show why just any set of norms cannot be ethics; why the norms of thieves and tyrannies do not count as ethical.

What is ethics? What kind of thing is a moral reason? What is being considered when one considers the 'moral dimension' of a problem? What makes this different from the non-moral aspects of a situation? These questions themselves have long been debated among moral philosophers. Consider this 'minimalist' description, listed as points below, of what must be involved in something being a moral concern. Here we are not talking about what is involved in having a correct moral opinion, but rather about what it is for an opinion to be a moral opinion at all, be it correct, or incorrect.

- Considering something ethically requires that one go outside, or beyond, one's self-interest alone in reaching a decision. Moral opinions are not opinions based on the promotion of one's self-interest. This condition is not only at the heart of something's being a moral opinion. Some people have claimed that it is the centrepiece—and maybe the only essential piece—of something's being moral: a recognition that there are appropriate interests other than your own that should act as constraints on unbridled pursuit of self-interest.[8]
- Moral opinions are impartial.
- An ethical judgment is one that can be 'universalised'. It is one that could apply to everyone in similar circumstances, and not only to oneself.
- Ethical opinions are able to be defended with reasons. This requirement distinguishes ethical opinions from tradition-based customs, personal biases and mere preferences, for which one might have no reason at all: 'I don't have a *reason* for liking vanilla ice cream more than chocolate raisin; I just do. I *prefer* its taste.'

- Ethical opinions are not subject to a 'vote' in the way that political opinions and decisions are. A moral opinion is not just whatever a majority decides it is. An opinion or a position on something does not become moral in virtue of popular support for it. In this respect, moral opinions are non-negotiable.
- Ethical opinions are centrally 'action-guiding'. They are not only of theoretical or academic interest. They are centrally concerned with *behaviour*. They are concerned with evaluating behaviour and with prescribing ways in which people should behave. To at least some extent, this requires that one think about the consequences of one's actions.

Here are some examples of what some philosophers have said that ethics amounts to:

> morality is, at the very least, the effort to guide one's conduct by reason—that is to do what there are the best reasons for doing—while giving equal weight to the best interests of each individual who will be affected by one's conduct.[9]
>
> morality amounts to 'guidelines that set the boundaries of acceptable behavior'—concerned with harming others, paying the proper regard for others' well-being, and treating persons with respect.[10]
>
> morality is concerned with 'rules, principles, or ways of thinking that guide actions' … it refers to 'values, rules, standards, or principles that should guide our decisions about what we ought to do'.[11]
>
> The notion of living according to ethical standards is tied up with the notion of defending the way one is living, of giving a reason for it, of justifying it … Ethics requires us to go beyond 'I' and 'you' to the universal law, the universalisable judgment, the standpoint of the impartial spectator or ideal observer, or whatever we choose to call it … In accepting that ethical judgments must be made from a universal point of view, I am accepting that my own interests cannot, simply because they are my interests, count more than the interests of anyone else.[12]

Where do ethical principles come from? Are they matters of religion, society's inculcated beliefs, universal rational truths? Are they principles that are formed as a result of a bargain that individuals

REFLECTION POINT

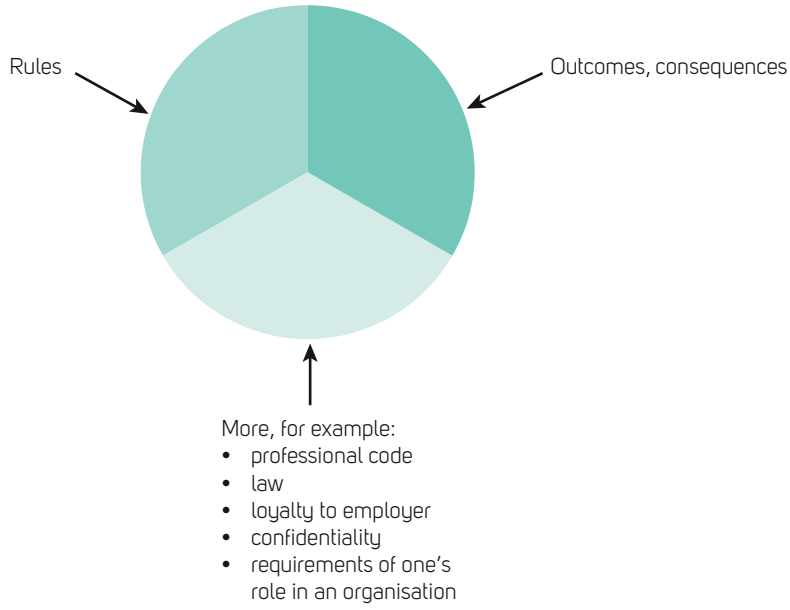
We have no reason to make a distinction between 'ethical' and 'moral'. There is certainly no difference in meaning that could be attributed to their etymological roots. Sometimes moral philosophers, or 'ethicists', distinguish them from each other, but not always. We recommend that the words be considered as synonymous unless otherwise specified. We will see later, in discussing codes of ethics, that there is an issue about whether or not the use of 'ethics' in 'code of ethics' is a specialised use, or whether it is even there synonymous with 'morality'. We will suggest that, in that context, 'ethics' is a specialised use and should not be confused with 'morality'. That is the only exception to our use of these words as synonymous.

reach in order to live together, each having their own welfare as their top priority, but realising that in order to successfully advance their individual self-interests, they must operate according to mutually acceptable principles? These very important questions will not be dealt with here. They are by no means easy, and there is no universal agreement about what their answers are. However, although we should be aware of them, it is possible to proceed without answering them.

Elements in moral thinking—broad strokes

Appreciating a problem as a moral problem, and dealing with it, involves consideration of rules (for example, 'be fair', 'tell the truth', 'keep your promises', or at the most general level, the Golden Rule: 'do unto others as you would have them do unto you'). It also involves consideration of outcomes, or consequences, of your action or decision (for example, producing good or avoiding harm). Most ethical dilemmas and serious ethical concerns involve clashes between these different types of considerations: rules and outcomes. And then there's more—for instance, the ethical requirements that come into play in a role of any kind, say, as an employee or professional (for example, requirements of independence, attendance to the interest of the client, to the interest of the profession, loyalty to the firm, and so on). These considerations, as well, can conflict with regard for ethical rules and ethical outcomes.

Figure 1.1 The moral pie



In facing and dealing with an ethical issue different types of moral considerations are at work. Here are a few:

- In this case, what does truth-telling (a rule) require?
- And what about the promise (a rule) I made to them yesterday?
- What course of action could I take here that would most benefit these people (an outcome)?
- Would that be fair (a rule)?
- In this situation, what is required by my remaining independent in the advice that I give (a professional requirement)?

There can be different—and sometimes conflicting—answers to these questions. For example, 'If I am open and truthful in telling these people about our plans for the development, I can't benefit them as much as I can if I hide the truth from them, at least for a while.'

There is no mechanical process or formulaic procedure for coming to a resolution in many cases. That does not mean, however, that in cases of conflicting ethical considerations, just anything at all will be ethically okay, or that anything will be ethically as acceptable as anything else. What is required here is good judgment. We will have more to say about this later, in the context of the various moral factors involved, and a satisfactory justification for the decision that is made.

Descriptive and prescriptive ethics

There are many ways of studying ethics, but a vital first distinction is between *prescriptive* theories and *descriptive* theories of ethics. Descriptive ethics is, as the name suggests, the study of ethics in particular groups and societies. It is an empirical investigation that might be conducted by a sociologist or anthropologist or social psychologist of what happens when people follow or deviate from social norms. It could also be an account (a description) of what particular ethical beliefs a person or group holds. It makes no judgment of the rightness or wrongness of the events studied, but merely describes them.

Prescriptive ethics is about judging an act to be right or wrong. It recommends or forbids certain types of conduct. It would, for example, prohibit robbery, fraud and injustice, while requiring honesty, truthfulness and fairness. The way we are using the term 'prescription' here means simply anything with 'should' or 'ought' involved in it: for example, 'You should lead a good life'. Sometimes when people hear or see the word 'prescription', they associate it only with the prescription of something very specific: for example, 'You should answer the test questions with a number 2 lead pencil', or 'You should take one pill with breakfast and another with dinner'. Someone might say, 'We have a very prescriptive workplace', meaning that in their particular work environment, they are told exactly what to do, leaving little room for manoeuvre—little room for them to think for themselves. We might better associate this at times with a phrase such as 'over-prescriptive'. When we talk about prescriptions, or prescriptive ethics in this text, we do not mean this at all.

Prescriptive and descriptive ethics can become confused when people believe that the way things are done is, for that reason alone, the way they should be done. If fraud and dishonesty were commonplace, it would be an ethical error to recommend them on that basis. We are all familiar with the confusion of descriptive and prescriptive ethics found in the old excuse, 'Everybody's doing it.' Now this excuse might be genuine as a factor in our psychology, but it will not make a wrong act right. That is, the example of most people might count as an excusing reason for an individual doing the wrong thing, but it does not make the act right. Take the example of corporal punishment in schools. This was a widespread practice until relatively recently, but this fact about it did not make it right. It might, however, excuse the teachers who applied corporal punishment, perhaps unthinkingly or in the belief that it was beneficial in the long term to school pupils.

A variation on this confusion of descriptive and prescriptive ethics is the commonly heard view that if something is legal, it's ethical. That is, if there is no legal prohibition on an act, then I can do as I choose. This view will be revisited below.

Ethical reasoning

As an individual or as an individual occupying a position (a role) in an organisation, you should address moral issues. Why? There are a number of answers to this question, ranging from those of moral philosophers to the pragmatic and self-interested concerns of business. Some theorists have urged that rational behaviour and rational thinking themselves require people to be moral. Others have referred to human nature or to a feeling people have about what they regard as moral. Many arguments suggest that we should be moral, because that is what we would want to be, if we could find the moral thing to do in any particular situation.

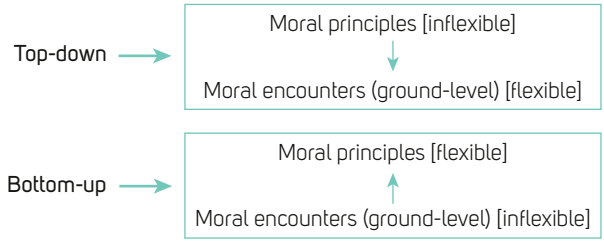
Moral commitments, however, need not rest on theoretical ground. When we discuss codes of ethics specifically, we will urge that, given current levels of public awareness and accountability, coupled with the possibility (or threat) of governmental regulation over many aspects of business conduct, the climate is such that it is in people's interest to pay attention to moral, and not simply legal, requirements. There is a good deal of truth to the practical dictum 'good ethics is good business'. While self-interested motives for adopting a moral point of view are not very noble, there can be no denying that public awareness of, and interest in the conduct of, business and the professions are compelling reasons for doing so. Clients, customers, shareholders or society at large will not tolerate professional or business conduct that is perceived to be unethical.

TOP-DOWN AND BOTTOM-UP APPROACHES

What is it to address moral concerns? What is the nature of moral reasoning? Consider a couple of possibilities.

The first possibility is a top-down approach, according to which the first principles of moral reasoning are general or universal moral principles that can be applied to specific situations.

Figure 1.2 Top-down and bottom-up reasoning



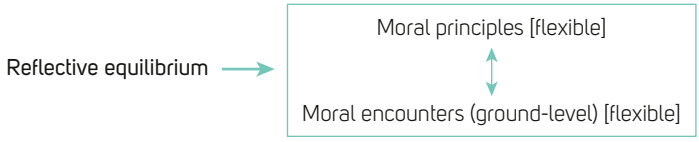
This conception of moral reasoning envisages the reasoner approaching a moral situation armed with general principles: for example, 'tell the truth', 'advance people's welfare', 'keep your promises', 'honour fiduciary relationships', all of which rest on some kind of general foundations. Moral reasoning, then, consists of applying the appropriate principles to the situation—overlaying those principles onto particular situations as those situations arise. For example, when faced with a moral choice, a committed utilitarian might engage in tallying up and comparing the amounts of welfare that would be produced by the various alternatives. The act likely to produce the most utility would be the one that the utilitarian principle would direct be performed. The principle—in this case the utilitarian principle—drives the reasoning, and its application to the particular situation determines the correct, ethical result. According to the top-down approach, the task for moral reasoning is to bring particular moral judgments or intuitions about particular situations into harmony with overarching general principles. The principles themselves are firm and unyielding. The task for moral reasoning is to bring judgments into line with them.

According to a bottom-up approach, on the other hand, the salient principles of moral reasoning are personal: the moral judgments we make personally. Perhaps these are moral intuitions or reactions we have to particular situations. It is these ground-level judgments—perhaps intuitions or feelings—themselves, rather than overarching principles, that are the first principles of moral reasoning. This conception of moral reasoning sees moral encounters as situations in which the reasoner is struck by the nature of the situations themselves, and need look no further to appreciate the moral dimension in order to arrive at a moral decision. If one were interested in doing so it might be possible to enunciate general principles that are coherent with the intuitions that emerge from the particular situations to which we react. The starting point and the foundation of moral principles in this approach, however, rests with the evaluation of the particular situations.

REFLECTIVE EQUILIBRIUM

A third approach regards neither particular judgments nor general principles as first principles. This approach regards both as important, and the interplay between them is what drives moral reasoning.

Figure 1.3 Reaching a reflective equilibrium



Reflective equilibrium: Judgments are to be harmonious with principles, and the harmony is achieved by making adjustments, or modifications, to principles and also to judgments.

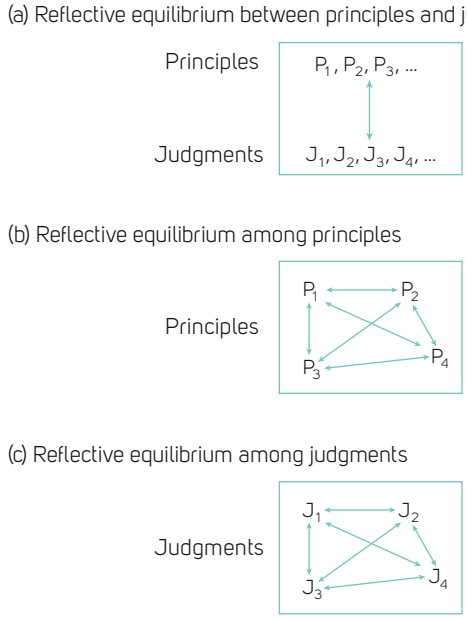
In 1970 John Rawls introduced the phrase '**reflective equilibrium**'.[13] As he used it, the phrase refers to beliefs about justice. However, the notion has been discussed as having an important role to play in understanding the nature of moral reasoning and moral theorising in general. As such, it refers to the state of a person's beliefs when their moral principles and moral judgments are in harmony. Notice that 'reflective equilibrium' refers to a result, or end state. A reflective equilibrium is something to be achieved. 'Top-down' and 'bottom-up' approaches both clearly refer to processes, aimed at arriving at a result. It would make sense to say that they, too, would be aiming at a result where principles and judgments are in equilibrium. As it is used, however, the phrase 'reflective equilibrium' is also a view about *how* to establish this result—a process—not just the result itself. Roger Ebertz has written, 'I find it helpful to speak also of "the reflective process" to refer to the activities which lead one to reflective equilibrium. These include carefully considering individual beliefs, comparing them with one another, considering the beliefs of others, drawing out consequences of beliefs, and so forth.'[14]

According to this view, neither particular judgments nor general principles are pre-eminent. Moral reasoning is a matter of bringing into harmony, or consistency, various particular judgments with each other and with the principles that we hold. In this respect, moral reasoning is seen to be centrally neither top-down nor bottom-up. Rather, it works in both directions, with the goal of reaching an equilibrium between the principles to which one subscribes and the particular judgments that one makes. Judgments are to be harmonious with principles, and the harmony is achieved by making adjustments, or modifications, to principles and also to judgments. Moral reasoning is also concerned to achieve consistency among one's particular judgments (relative to each other), and among the various principles to which one subscribes (relative to each other).

Reaching a reflective equilibrium is essentially a dialectical process, which involves a give and take of principles and intuitions. Neither the principles nor the intuitions are immutable, or unyielding. Reaching a reflective equilibrium involves 'massaging' both. It is important to us to have a consistent set of beliefs. Notice, for instance, that when we argue with others, our strongest arguments are in terms of allegations that the other party is failing to be consistent. Suppose that, for whatever reason, I am attracted to some moral principle. For example, I think that I should try to maximise utility. Suppose also that I think that in a particular situation I should keep my promise to drive a friend to the airport, even though it appears that I could produce more utility by doing something else. Here, there is an apparent conflict between a principle to which I am attracted and a particular judgment that seems to me to be correct. I might argue that keeping the

promise will maximise utility, or I might argue that my commitment to the utilitarian principle is modified by some other (theoretical) commitments, the result of which is that I am not being inconsistent in believing that I should keep my promise on this occasion. It will be important to me that my ground-level judgment not conflict with my purported theoretical commitment. It will be important to me to resolve the apparent conflict.

Figure 1.4 Elements in reflective equilibrium



In considering my position on both the practical and theoretical levels, I allow that there can be interplay between them, and that my beliefs, commitments or intuitions about something at either level are subject to review in the light of my beliefs, commitments or intuitions about something at the other level, as well as in the light of my beliefs about something at the same level. That is, it is important to me to strike a reflective equilibrium between the principles to which I subscribe and the judgments that I make. And it is important to me that my judgments are consistent with each other, and that I can consistently maintain a commitment to the various principles to which I subscribe. If I offer apparently inconsistent judgments on some occasions, it is important to me to either correct this inconsistency (and so alter my judgment or some aspect of my theoretical commitment) or 'distinguish' the situations so that the apparent inconsistency is revealed to be only apparent, not actual. For example, on one occasion, I thought it was permissible for me to break my promise, whereas on another I thought that it was not. When pressed (either by myself or by someone else), I might perceive that on one of the occasions the promise was to a workmate, and on the other occasion it was to a business acquaintance and that it would have disastrous consequences for my business if I kept the promise. In view of this, I might try to articulate the principles according

to which these individual judgments are not inconsistent with each other, and neither of them is inconsistent with the principles to which I subscribe. I distinguish one situation from the other. The process of moral reasoning allows for modification and revision of the principles to which one subscribes, as well as of the particular judgments that one makes.

REFLECTION POINT

Go back to the case of the Bellini painting hanging in the dilapidated church. Think about the reasons given for and against taking that picture. Some of those reasons were consequentialist. The welfare of a rare master was one desirable consequence. What other desirable consequences are involved in taking an ethical decision on this question.

Now reflect on what other, nonconsequential, reasons might enter into the decision.

1 Are there not two sets of reasons here?
2 Do you believe that one outweighs the other?
3 How can one decide if the reasons are roughly equal?

CONSEQUENTIALISM

Consequentialism: Moral outlook that evaluates actions according to their consequences.

Consequentialism is a moral outlook that evaluates actions according to their consequences. Hence, an act will be morally right or wrong in virtue of its beneficial or harmful consequences. The most well-known form of consequentialism is **utilitarianism**, according to which the production of utility is the gauge of an action's rightness or wrongness. 'Utility' itself has been understood in different ways: for example as happiness, as pleasure, as the satisfaction of desires, as welfare. The effective founder of utilitarianism was Jeremy Bentham (1748–1832), an English thinker and social reformer. His guiding moral principle was that the ethically right thing to do is that act which produces a greater sum of pleasure than any other act could. Bentham believed that pleasure and pain were the two driving forces of human action. Of course, a puzzle immediately arises here: if humans are driven by pleasure and pain, then why do they need a moral theory to tell them to act to maximise pleasure and minimise pain? After all, other animals are not in need of such guidance. A simple answer to this question is that, as a moral requirement, utilitarianism prescribes that people should look not merely to their own pleasure, but also to pleasure and pain effected more generally. Utilitarianism is a principle about maximising. It is not a principle about how utility should be distributed. Utilitarianism directs that utility be maximised. It is, then, a matter of calculation in any particular situation as to what would maximise utility.

It is because humans do not act merely from instinct (and can choose to act one way rather than another) that moral theory has a place at all. Later utilitarians, notably Bentham's protégé, John

Stuart Mill (1806–73), refined the theory, and many twentieth-century followers have added other modifications.

Bentham's simple notions of pleasure and pain have been replaced with other measures of utility, such as intrinsic goodness, satisfactions, preferences, desires and second-order desires. Whatever meaning we might ascribe to 'utility', the basic idea is to maximise benefits and to minimise costs.

In Bentham's vision the greatest happiness was a moral and a democratic principle. The happiness of one person ought not to count for more than the happiness of another. This view accords very well with political liberalism and a free market economy: we choose our lawmakers, our consumables and our pleasures freely. No one is better than another politically, in the market, or morally. There are no intrinsic moral norms except the maximisation of pleasure and the minimisation of pain.

One difficulty with this is that it seems to put all kinds of pleasure-seeking and pain-avoidance on the same footing. Bentham was a radical and did not mind challenging conventional ideas about morality and politics, but his view would have destroyed notions of altruism and self-sacrifice, virtues such as courage, and elementary principles of morality such as telling the truth for its own sake. It would also have put minority and individual rights at risk, allowed the ends of any act to justify the means in an unqualified way and, as John Stuart Mill pointed out, it gave no recognition to human dignity or any spiritual quality in humanity. Mill believed that utilitarianism could accord these important human characteristics their proper due, while still defining 'utility' in terms of pleasure. His argument was that not all pleasures are equal, that some kinds of pleasures—those requiring intellect—are qualitatively better than others.

Utilitarianism: The most common form of consequentialism. According to utilitarianism, the relevant consequences are 'utility'. This moral outlook evaluates actions or practices according to their production of utility. Utilitarians have offered different accounts of what constitutes utility. For example, some have argued that it amounts to happiness, some that it amounts to pleasure, some that it amounts to the satisfaction of desires, and some that it amounts simply to maximising benefits and minimising costs.

There is a great deal of utilitarian thinking in the ways in which business justifies itself ethically. This is not at all surprising. Business and any other practical activity must pay attention to results, to remain viable and to remain ethical.

So much of utilitarian theory seems common sense that it can be difficult to see how rival accounts of morality have a place. 'Deontological ethics' is the formal name of the main alternative to consequentialism, and while it might be an unfamiliar term to us, we are well acquainted with the moral outlook it presents.

NONCONSEQUENTIALISM (DEONTOLOGICAL ETHICS)

A simple distinction may be made between consequentialist and nonconsequentialist theories of ethics. Consequentialism is 'forward looking'. It looks to the expected consequences of the various actions open to an individual to perform in order to determine what a person ought to

Nonconsequentialism, deontological ethics: Moral outlook that evaluates actions or practices on the basis of something other than the production of consequences.

do. In contrast to this, a nonconsequentialist moral outlook is either 'backward looking' or 'present looking'. **Nonconsequentialism** is often called 'deontology', from the Greek etymological root *deon*, meaning 'duty'. Nonconsequential—deontological—reasons look to the past or to the present. According to a deontological outlook, an act's being morally right or wrong is due to something other than its consequences. Perhaps, for example, the rightness of an action depends on the keeping of a promise that one made (backward looking). Perhaps the rightness depends on the fact that the other party is a personal friend of yours (present looking). Deontological ethics requires people to do the right thing simply because it is the right thing to do—regardless of the consequences. For the deontologist, consequences can never be an adequate ethical justification for an act. For example, tell the truth, be fair, keep your promises. These are important moral dicta, and consequentialism cannot account for their importance. In the case of the Bellini picture, the deontological answer would be, 'It's wrong to steal. Taking the picture is stealing. Therefore, it's wrong'. Such an answer seems not to require any reflection at all, just a rule. Deontology can be like this, but in its most powerful modern form, developed by the great German philosopher Immanuel Kant (1724–1804), reflection is exactly what it demands.

Immanuel Kant

Kant is the most famous modern deontologist but non-Kantian arguments for a deontological outlook have been advanced strongly by defenders of individual rights and liberties.[15] Kant's view was that duty is determined not by reference to consequences, but by reference to consistency and the requirements of rationality. Consistency is certainly one of the things expected from moral behaviour. If we do not lie to our friends and family, are we being inconsistent and hence immoral if we lie to strangers? If we do not cheat our neighbours, then are we being inconsistent if we cheat people from other cities, states or nations? Kant claimed a very tight connection between morality and rationality and, in particular, logical consistency. He believed there could be a science of morals just as there is a science of the physical world.

How is this possible? And if it is possible, how is it that people disagree about morality in ways they do not disagree about physics or geology? Kant believed he had developed an argument that answered these questions. He believed that a science of morals is possible because humanity has the use of freedom and reason. We can and should choose our own morality—the subjective part of morality—but we have available an independent objective standard against which to measure our subjective choices: the moral law. When we do any act, we act with an intention, and our intention includes a maxim, a general principle. For example, if I intend to give to charity there is in my intention an implicit maxim that one ought to give to charity. That maxim may be tested against a standard of morality that Kant called the 'categorical imperative', and that he formulated in a number of ways, the first of which is 'Act only according to that maxim by which you can at the same time will that it should become a universal law'.[16] This test is a thought experiment that

involves generalising an action: What would it be like if everyone behaved like this? Would it be possible? Would it be desirable? For example, say it was my intention to lie for a good cause. Could I universalise the maxim that it was justified to lie in a good cause? Kant would say 'no', because my lying involves people believing that I am telling the truth; generalising my intention to lie would undermine the very institution of telling the truth. In other words, the inconsistency involved is destructive of the moral institution on which lying depends. Suppose I am considering not helping someone who is in need. Could I will that the maxim of not helping become a universal law? Kant says I could not: I can imagine a world in which no one helped anyone else. There is no logical inconsistency involved. But I cannot see it as desirable; I could not will it. For one thing, I cannot but believe that occasionally I will need help myself. And, of course, I will want help on those occasions. A universal law of people not helping each other would be inconsistent with this.

Kant produced a second formulation of the categorical imperative, which perhaps is more familiar and certainly very important: 'act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only'.[17] This is sometimes expressed as respect for persons. This is a meaningful requirement for business relationships, as well as for individual interpersonal relationships. In business, it means that management and owners should not see employees simply as human resources on the analogy of natural resources: they are first and foremost people deserving of respect. The same would hold for customers, suppliers, creditors and others involved in some way with the conduct of business. This should not be seen as pious theory without the experience of real life to bring it back to earth. Kant does not say that we should not use the abilities of others to make profits. He says that in our dealings with others we must never treat them merely as means to our ends. People should not be treated as objects or as mere instruments to be used to achieve our goals. In all dealings with people, they must be treated as persons, and accorded respect for their dignity as such.

Kant's theory of duty is not about following an imposed list of duties (such as might be found in the armed services), but about being autonomous and rational agents who make choices for which they are responsible. Nor is it about achieving certain satisfactory consequences. Kant's theory effectively provides an intellectual justification for the golden rule (treat others as you would wish to be treated). His argument demands universality, consistency and reversibility. Treat all other people justly without discrimination, just as you would have them treat you. The moral law treats all people equally.

Considering only these two formulations of the categorical imperative,[18] it is clear that Kant has offered an important counter-consideration to consequentialist theories of morality. Moreover, it fits in well with current views about rights and unfair discrimination, such as sexism and racism. The notions of respect for persons and the autonomy of moral agents have played prominent roles in moral reasoning and moral theorising, and can illuminate an understanding of business conduct without forcing a particular ethical theory on anyone. A requirement of maintaining respect for persons can be expressed in a number of moral theories, albeit with varying degrees of success.

REFLECTION POINT

The history of moral philosophy is, to a great extent, a history of criticism back and forth between consequentialists and nonconsequentialists. In Chapter 1 of his *Utilitarianism*, John Stuart Mill says this about Immanuel Kant (and nonconsequentialism in general, as well Kant's claims to have discovered ***a priori*** principles):

> This remarkable man [Immanuel Kant] lay[s] down a universal first principle as the origin and ground of moral obligation ...: 'So act that the rule on which thou actest would admit of being adopted as a law by all rational beings.' But when he begins to deduce from this precept any of the actual duties of morality, he fails, almost grotesquely, to show that there would be any contradiction, any logical (not to say physical) impossibility, in the adoption by all rational beings of the most outrageously immoral rules of conduct. All he shows is that the *consequences* of their universal adoption would be such as no one would choose to incur.[19]

According to Mill, such things cannot be figured out in any way other than empirically. Ethical inquiry is like any other physical science. You need to look at things, touch them, kick them; you need to ask people what they desire. You cannot simply figure them out without looking to see what the real word and its inhabitants are like. That is, you cannot do it ***a priori***. And, talking of anything other than consequences as criteria of moral behaviour really is silly. Nothing other than consequences makes any sense in this regard.

Consequentialists and nonconsequentialists have been at each other for a very long time. Until, roughly, twenty years ago, the general view was that as a holder of a moral principle or a moral opinion about anything at all, a person must be either a nonconsequentialist or a consequentialist: you can't be both. Consequentialism and nonconsequentialism are, after all, incompatible with each other.

MORAL PLURALISM

A priori: Knowledge gained independently of experience, or empirical investigation. For example, you don't have to know any bachelors at all in order to know that all bachelors are unmarried.

Recently, a number of writers on ethics and ethical theory have seriously discussed and advocated moral pluralism.[20] There are different types of **moral pluralism**, and different writers have suggested different approaches. The general idea, however, is that there is no single moral theory or principle that should be accepted as preferable to others. Rather, there are different, diverse and even mutually inconsistent ethical positions that should be recognised, and there is not necessarily any single moral principle or set of principles that everyone should accept, either because they are true or because they are preferable in some other respect. Earlier, in Figure 1.1 and

in the explanation of different types of moral considerations and different legitimate moral perspectives, we were indicating that pluralism of some kind or other is, in fact, the moral stance that most people adopt. Although similar in a number of respects, moral pluralism is not the same thing as moral relativism, which, as we have been discussing, claims that moral correctness is relative to time, place and people. Moral pluralism is not making a claim about relativities.

Moral pluralism: The view that there are different, diverse and even mutually inconsistent ethical positions that should be recognised, and there is not necessarily any single moral principle or set of principles that everyone should accept.

VIRTUE ETHICS

Since the 1970s, there has been a revival of '**virtue ethics**', a conception of ethics that goes back to Aristotle. Virtue ethics stresses the kind of abilities and dispositions that put us in a position to act morally, whether after weighty deliberation or quick reaction.

Virtue ethics: Stresses the kind of abilities and dispositions that put us in a position to act morally.

It is important to see that virtue ethics is only in a limited sense an 'alternative' to or in 'opposition to' consequentialism and deontology. Consequentialism and deontology are both views about what makes right acts right. For the most part, virtue ethics is a view not about what makes right acts right, but about how to go about achieving whatever it is that gives something moral worth, whether it be the production of consequences of some kind or a deontological feature of the situation. A virtue-ethics approach focuses on the qualities of the agent (or the organisation) as the target for development because it is the qualities, or character, of the agent or the organisation that will result in the morally correct behaviour, whether consequential or deontological. It rejects the idea of dealing with moral problems by applying the correct theory, at least in any mechanical or algorithmic way.[21] Rather, it focuses on a person's response to a moral problem as that of a moral person; that is, one with the requisite virtues. Moral behaviour is seen in this way, rather than as a conscious and conscientious application of moral theory to practical situations.

In discussing moral reasoning, reference was made to a top-down approach. Perhaps this can be seen as an analogue of the applied theory view. The applied theory view is essentially 'outside-in'. The theory is imposed from without—for example, objective rules, duties, rights and constraints of utility—and applied as appropriate. A virtue-ethics view sees the process more as 'inside-out'. Moral behaviour should be the result of, and flow from, a person's character. This is not to say that moral behaviour is only automatic or spontaneous. It can indeed involve difficult and perplexing thinking and deliberation. But, on a virtue-ethics view, a person's character and the kind of virtues they possess is integral to the way that person will perceive ethical situations and the way they will decide about ethical questions. Development as an ethical person, then, is very largely a matter of developing the right character through the acquisition and development of the virtues.

Many problems are resolved using characteristic modes of behaviour, not as conditioned responses but as a kind of shorthand or use of rules of thumb. We see this in everyday tasks all the time. It is true also of morality. Often it is the case that even when we do deliberate over a moral

difficulty we still make our decision not according to a moral algorithm, but according to our character. Further, our character goes a long way toward determining even how we perceive the problem. Virtue ethics stresses the kind of moral abilities that put us in a position to act morally, whether after weighty deliberation or as a quick reaction.

ETHICAL RELATIVISM

Moral relativism is a view according to which moral values are relative to a particular environment. They are not universal or absolute. This could mean that moral values differ from culture to culture or from society to society or from one time to another or, in the extreme, from one person to another. And perhaps it means that any individual ought to behave in the manner seen to be moral within the environment in which they are operating (when doing business in Rome, then …, and when doing business in Japan, then …). Might it not also mean that when operating as a private individual, there are certain requirements that differ from those when a person operates as an official, an employer or an employee?

It is important to see that moral relativism does not stand as an alternative to utilitarianism and deontology. Moral relativism is, rather, a view about the domain over which any moral position (for example, utilitarianism) ranges. 'In this country, there's a moral duty to tell the truth.' This claim does not invoke a position other than deontology; it identifies the domain relative to which a particular duty is present. Relativism stands in opposition to 'absolutism', a view according to which there is only one universally correct moral position, and insofar as any moral theory makes absolute claims, relativism stands as a challenge to it.

'It's all relative'[22]

People sometimes believe that tolerating cultural differences means forgoing criticism of others' ethics. Ethics is a prescriptive matter, and to assume on the practice of many cultures that what *is* practised *should be* practised is a logically fallacious move from what *is* the case to what *ought* to be the case. The practical effect of this conceptual point may be illustrated by way of women's rights. The fact that women were not given equal career opportunities with men was used in many countries to deny them those opportunities; what *was* the case was used to argue that there *should be* no change.

However, it does not follow that, because there are a variety of moral rules, there are no fundamental principles. There might be. Various philosophers—for example, Marcus Singer and John Finnis—have argued that universal principles and fundamental goods can generate a variety of rules.[23] Thus a moral pluralism could be grounded on commonly shared universal principles. The general argument is that although specific rules might differ from culture to culture, they are nevertheless grounded in the same overarching principles. We cannot take up the philosophical

argument here, but it is important to signal that the argument is two-sided, and that simplistic notions of moral relativism derived from cultural difference should not be used to evade ethical reasoning, which requires justification not just assertions of cultural autonomy. Think, for example, of some practice that you believe is prevalent in some culture and which you think is utterly hideous, inexcusable: female circumcision?, torture?, religious intolerance?, racial discrimination?, genocide? … You would be an odd person, indeed, if you thought that merely because that practice is prevalent in some particular society, it follows that that practice must be ethically permissible. No; what you undoubtedly think is that that behaviour is ethically impermissible—wherever it occurs.

We discuss relativism in business in more detail in Chapter 11, International Business Ethics.

Moral relativism is almost the default position in liberal democracies. Many young adults living in cosmopolitan societies are aware of different cultural traditions and worldviews, and believe that morality must be relative to particular societies.[24] They understand that difference is not a sign of inferior ethics, and that there are lots of ways to go right just as there are lots of ways to go wrong. This awareness, however, does not justify the next step of denying that there are universal values. Or, as we have just said, it can be a common belief that there are lots of ways to go right, *just as there are lots of ways to go wrong.* That is, not just any way of doing something is right; not just any way of doing something is acceptable. If the moral standards of each society were self-contained and self-justified, that is, they were 'right' for that society, then we should never be able to morally condemn regimes such as Stalinist Russia and Nazi Germany. No individual, group or society would be in a position to criticise the ethics of those from different cultures. Yet that kind of criticism occurs daily. For example, the criticisms of Amnesty International, the United Nations and Human Rights Watch are understood internationally and usually cause a reaction from the countries they criticise. This reaction is hardly ever a rejection of ethical standards and is usually couched in terms of political bias or empirical error. If we say that it is wrong to mistreat workers in another country, we don't just mean that it is something that we, in our society, reject. We mean that there is something objectionable, evil, about exploiting powerless people. If this is so, then relativism has got at least one thing wrong: the meaning of our moral statements. When we talk of *moral* wrongness, we do not mean a special kind of feeling that *we* have. Some relativists confuse the fact that judgments about wrongness are made by people in certain positions (roles, cultures, eras) with the *meaning* of their statements about wrongness.

Often when the ethical relativism card is played, usually as a way of stifling discussion, argument, or criticism—'it's all relative, isn't it?'—there are significant confusions involved. Relativism per se actually encompasses a package of views, not simply one view at all.

1 It might be offered as a description of something: 'the people's moral views in that culture are different from the people's moral views in that other culture'. This is a claim about fact. There are a number of empirical studies that claim to show that there is not, in fact, a great divergence of values at all from culture to culture, and that the core values are pretty well universally subscribed to. Such studies claim to be a scientific refutation of relativism.[25] Whether or not

these studies prove their point, notice that it would say nothing about whether a particular cultural view is a good one, a warranted one, one that should be respected, or one that should be even tolerated. They are claiming only that people do, in fact, share certain opinions. We might also notice, for instance, that some cultures believe the earth is flat. It is a fact that they do; but this neither says nor implies anything about what we should believe, whether their belief itself is creditable, or how we should react to their belief.

2 Normative relativism is a view, according to which ethical views differ and those different groups are right to hold their particular views. Their views are right for them. This is separate from descriptive relativism, and, notice, it would require its own argument in order to be established. It certainly isn't established simply by pointing out that different cultures have different values, even if that is true.

3 Inasmuch as their moral views are right for them, other people should not criticise those views, because, after all, those views are just as correct in that society as some conflicting views are in some other society. Notice that this is yet a further step; and separate argument would be required for this, as well.

4 Inasmuch as their moral views have adequate credibility, it is inappropriate for others to interfere with their activities in accordance with those values. Don't interfere, and don't criticise. Yet another argument is necessary. And notice, this is a very long way from the claim in 1, that, as a matter of fact, different moral views are held.

5 Who is the 'they' in 'they have views different from ours'? Is it the slaveholders?, the slaves?, Tony Soprano's crew?, the woman who is being stoned to death because she was raped?, the mob who stormed the embassy, because they thought an important religious symbol of theirs had been slighted? Does the 'they' simply refer to those who hold the dominant view in the society? In some cases, we can, of course, speak meaningfully and fruitfully of a 'culture', which, in other discussions, is a highly contentious notion indeed.

Here is a suggestion: most often when the relativism card is played, the purpose is to urge that we, who hold a different view, should *tolerate* that other value. Very few people would urge that *all* views and actions be tolerated; but 'it's relative' is offered with respect to something that we believe should be tolerated. The suggestion, then, is that often when the relativism card is played, what is intended to be played is the toleration card; and that is a different matter altogether. We could go much further with a discussion of relativism and its significance and misunderstandings; but for a book on business ethics, we think we have gone far enough.

We discuss ethics and cultural differences at greater length in Chapter 11, International Business Ethics.

If a person respects the religious and cultural conventions of a country that does not permit the consumption of alcohol, then excuses are not necessary. Genuine respect is almost self-explanatory.[26] But the payment of inducements is anything but self-explanatory; it requires excuses. What if everyone agrees that bribes are necessary to do deals? This was very much the case in the

REFLECTION POINT

Relativism in business is most often discussed in terms of foreign trade or the conduct of operations in foreign states. Usually the argument comes to this: in country X you cannot do business by our rules. You have to realise that they have different expectations, and that the only way to deal satisfactorily with them is to play by their rules. What this kind of justification often amounts to is not respect for a host culture, but excuses for using inducements, secret commissions and bribes in order to do business.

early European settlement of Australia when convicts were unlikely even to unload much-needed food unless they were persuaded with a measure of rum. In the Soviet Union, vodka was a similar kind of currency. Yet in neither case were bribes of alcohol recognised as legitimate. On the contrary, they were signs of a corrupt system generally.

A business is obliged to operate in a manner acceptable to the host country, both legally and morally. To claim the mantle of cultural difference to justify secret commissions is akin to racism. All kinds of demands are made on Australian businesses in order to secure unjustified benefits. When the Australian Wheat Board (AWB) offered secret commissions—bribes—to Saddam Hussein's regime in Iraq in order to sell Australian wheat there, who could think that this could be made acceptable by reference to cultural or moral relativism? When questionable pressures are placed on firms operating overseas, they must deal with them in the same way that they would handle similar pressures at home. Part, but only part, of what they should ask themselves is whether the person (or firm) putting on the pressure believes that there is no moral impropriety in what they are doing. Other central questions they should ask themselves are these: Would the government and public of the host country countenance this kind of pressure? Would our shareholders welcome disclosure of our conduct and approve of us acceding to this pressure? Would we welcome disclosure to the Australian government and public of secret commissions or other favours?

In other words, if you would not be ashamed to declare your actions to the world, you have probably not done anything that stands in need of an excuse. Cultural and moral relativity do not come into it. In fact, the normal hospitality and gift-giving that is part of business needs no excuses or appeals to relativism. When the gifts become more substantial—such as trips to Fiji, or computers, or cars—then it is wise for a company to draft policies and procedures that are made known to clients and staff so that there is no room for misunderstanding. Again, this is common sense and does not necessitate reference to, or a special position for, relativism. 'Relativism' is not synonymous with 'ignore your own moral values'. If anything, it is a requirement to recognise the legitimacy of moral views other than the one relative to you. It is not obviously a directive for you to become a moral chameleon.

Testimony to this is the US *Foreign Corrupt Practices Act* of 1977. This law makes it illegal for any American citizen or resident to bribe or induce any foreign official or candidate for office to act corruptly to further the business interests of that person. This Act was passed into law relatively quickly over the objections of business leaders, who asserted that payments were often extorted by foreign officials rather than offered as bribes, and that the government should not intervene to prevent managers obtaining the best returns for their shareholders.[27] In the light of such objections, it is not surprising that Congress passed the *Foreign Corrupt Practices Act* into law so promptly.

THINKING ABOUT 'WHAT SHOULD I DO?'

REFLECTION POINT

Late last night, when you were parking your car, you happened to bump into a car in front of you. You noticed that you had dented the bumper on that car.

Imagine that you are in this situation. What thoughts go through your mind?

There will certainly be thoughts like, 'did anyone see me?', 'how much damage is there?', 'will my insurance cover the damage?', 'have I blown my no-claim bonus?', and many more. Also in the mix will certainly be thoughts like, 'what is the fair thing to do?', 'what would I want someone else to do if the shoe were on the other foot?', 'I'm responsible for something and I should fess up.'

Whether or not you act on any of those latter thoughts, it's a near certainty that you would have them. It is, of course, possible to have them and not act on them. For example, 'I ought to put a note on the windscreen of that other car; but I'm not going to do it!'

The exercise here, though, is one about moral *thinking*—as a precursor to moral behaviour—and spending any time on this thought-experiment reveals an important feature of what is involved in ethical thinking. A hallmark of ethical thinking (maybe *the* hallmark of ethical thinking) is: the recognition that there are appropriate interests other than your own, that should act as constraints on unbridled pursuit of self-interest.

Ethical considerations require that we take other people's interests into account. Nearly every moral philosopher has thought that this is an important point about ethics. As we mentioned earlier, some have thought that this is the very heart of ethical thinking.[28]

Ethical considerations function as a constraint on what one may do. They typically function as a constraint on pursuing one's own interest. Ethical considerations constrain what I might otherwise do in the name of advancing my interest. Moral philosophers often contrast ethical reasons with prudential reasons. 'Prudence' means looking after your own interests well. For most of us, the

reason we think we should visit the dentist regularly has nothing to do with ethics, but rather is a matter of looking after our own individual well-being. We are being prudent. There is a 'should' here (a prescription), but it is not a moral 'should'; it is, rather, a prudential 'should'. The claim that moral considerations function as a constraint on the pursuit of self-interest, then, is a claim that moral considerations can conflict with prudential ones. It is a claim that in thinking about ethics, regard for interests other than one's own should come into the mix.

When people encounter ethical issues, they have to decide what to do. Organisations can offer important assistance in people's making ethically justifiable decisions, not only by providing instruments (for example, ethical decision-making models) and rules, but also by establishing a culture that encourages ethical behaviour. The culture of organisations goes a long way toward determining what kind of actions it and its employees perform. This is an important connection between looking at ethics as a matter of 'What should I do?' and looking at ethics as a matter of 'What kind of person (or organisation) should I be?' We will return to this distinction later.

The concern in talking about business ethics is not only to talk *about* business, but also to talk about moral reasoning *within* business. Within business, there are, roughly speaking, four target areas involved in reaching justifiable ethical decisions.

1 Avoidance of 'moral negligence'

Moral negligence amounts to a failure to consider something that one should consider. Maybe this is because of lack of awareness. Suppose you are doing some construction work, and you manage to create a pothole in the footpath. You do not notice the damage you cause, and so do not do anything to warn pedestrians of its existence. A passer-by stumbles in the pothole and injures themself. They could sue you for negligence. You should have been aware of the danger, but you were not; and you should have warned pedestrians of it, but you didn't. As a result, they were injured. You were negligent in not warning them.

2 Avoidance of 'moral recklessness'

Moral recklessness is the failure to give adequate consideration to something: dealing with it in too hasty a fashion, not paying enough attention, or not particularly caring to get it right. Thinking again of the pothole, imagine that you recognised that you had created this danger, and you thought you could manage it by just posting a general, cover-all-contingencies, sign that said something like, 'Beware of possible dangers and inconveniences caused by our construction.' Again, you can imagine that a passer-by stumbled in the pothole and injured themself. They could sue. Legally, this would still be negligence, but we can appreciate a difference from the case of moral negligence. In this case, you did, in fact, realise the danger, but your way of dealing with it was not adequate; it was too cavalier.

As a step toward addressing these dangers of moral negligence and moral recklessness, a number of organisations have used or developed their own 'ethical decision-making models'.[29]

An ethical decision-making model is a set of systematically organised trigger questions: 'Have you thought about this? … Have you thought about that? … Have you considered these values? …' These instruments are for the purpose of assisting the decision-maker in navigating through something that they have perceived to be an ethical issue.

Most ethical decision-making models take into account the different perspectives that anyone in an organisation must be aware of in dealing with ethical issues. Aside from appreciating the conflicts between concern for ethical rules and concern for ethical outcomes, they typically also recognise that the ethical requirements of the particular organisation differ at times from people's own individual ethical outlooks. There are, in fact, nearly certain to be conflicts of this kind. Sometimes, an individual will decide that the requirements of the organisation should take precedence over one's own view; sometimes it will be the other way around. A good ethical decision-making model should indicate the possibility of this kind of tension. And, it should make it clear that whatever decision is ultimately reached, it will be the reasoner who must take responsibility for it. It will be their judgment that is at issue. Perhaps the decision will be to defer to the ethical perspective of the organisation; perhaps it will be to buck the organisation's perspective in favour of that of the individual. Whatever ethical conclusion is reached, it is the reasoner as an individual who must bear the responsibility for it. This is an important point in recognising the complexities involved in conflicts between public and private morality.[30]

3 Avoidance of 'moral blindness'

This amounts to a failure to see that there is an issue at all. A person might be looking in exactly the right place, but simply does not see that there is a moral feature or issue at all. Consider the pothole once again. Suppose that when you created this, you did, in fact, notice that it was there. But, say, you just figured that it's each person's own lookout to determine whether or not they get tripped up and possibly injured by it. Here, you were neither negligent nor reckless—you did not fail to realise that it was a danger, and you did not fail to take care of it adequately. Rather, you were aware of it; you just didn't see it as of any concern for you. (Again, as far as the law goes, this is negligence. But, for our discussion, it is helpful to see it as blindness.) As a remedy for this failure, ethical decision-making models do not go very far. They can possibly do something; but they cannot go very far, for two reasons: (1) A person will only ever think of using an ethical decision-making model if they perceive an ethical issue to reason about. If one is blind to the ethical dimension of a problem, then one would not consult an ethical decision-making model at all, and so would get no benefit from it. (2) A person might stare at an ethical consideration all day long, and simply not get it. They are not negligent or reckless, in that they did, in fact, pay attention to the relevant consideration, but when they did think about it, they were absolutely blind in their moral comprehension or appreciation.[31] Maybe a better figure than 'moral blindness' would be 'moral illiteracy'. Illiteracy is something that can be worked on to correct. But the correction does not come from merely staring at words

and sentences and book jackets. It needs systematic attention. Whether the figure is blindness or illiteracy, the point is the same: someone who looks directly at a moral situation and does not see it as morally significant at all.

4 Cultivation and exhibition of moral competence

The development of moral competence is the last target area for business in reaching justifiable ethical decisions. This is the requirement for engaging in moral recognition, reasoning and decision-making well. It involves developing adequate preparation, sensitivity, awareness, knowledge and conceptual apparatus to deal with ethical issues. Hence, the active cultivation of moral competence is, in part, a cure for moral blindness, even if it is not a totally effective cure in all cases. This is an area that concerns the exercise of judgment, where situations are not black and white, and where judgments are better or worse not because they are correct or incorrect, but because their justifications paint more attractive pictures or tell more attractive stories. They are better or worse because they reveal a more understanding and sympathetic appreciation for the situations that they are judging; not because they are truer or more correct. Judgments in these situations, and the explanations that one offers, will show an understanding of the situation and its ethical elements, and will involve facility with appropriate moral principles and values. The involvement of principles will not be merely as a recitation of those values and values statements, but will also reveal an understanding of them and a facility in their application. These are the characteristics that are integral to moral competence. Encouraging, cultivating and maintaining them throughout an organisation are at the core of the creation and maintenance of an organisational culture that promotes and supports ethical excellence.

The categories 'moral negligence', 'moral recklessness' and 'moral blindness' are not particularly precise, but they can still be helpful for recognising and appreciating moral failures, or at least failures to deal with ethical situations or issues satisfactorily. Recognising inadequacies is usually a critical first step for rectifying them.

WHAT IS BUSINESS ETHICS?

Business ethics covers the whole spectrum of interactions between firms, individuals, industries, society and the state. In other words, business ethics is as complex as business itself. It is not an optional accessory to business life or a mere enthusiasm of philosophers and moralists; business ethics is about how we conduct our business affairs, from the basest fraud to the highest levels of excellence. It is about individuals and the institutions with which they deal. And it is about the expectations and requirements, including the social and economic requirements, of society.

Such a scope suggests that individuals might have a limited role in ethical matters. After all, if they have a limited range of business responsibilities, then they will not be in a position to make

much of an ethical impact. An important way of looking at the responsibilities of individuals is to examine their roles. Company directors, for instance, have fiduciary responsibilities to act in the best interests of shareholders. Does that entitle them to ignore ethically suspect practices that benefit shareholders? Sometimes people's roles in business are the problem. Should an occupational role diminish one's moral responsibility for actions done in the name of a company or employer? If so, where do individual conscience, character and choice come in?

The same kinds of questions might be asked not only of individuals, but also of firms and industries that operate under social, legal and economic constraints. What are the ethical responsibilities of 'non-natural persons'—legal entities that have no character or conscience in the usual sense and are persons only in law? How is ethics to be made part of the fabric of institutions? Should ethical standards be imposed in a market economy?

BUSINESS

Both consequentialist and nonconsequentialist, or deontological, ethical theories are relevant to business. It is necessary for business to make a profit in order to survive, but not at any cost. And it is necessary for business to take into account interests and consequences other than profit. There are necessary restrictions on what can be traded—cigarettes, alcohol, drugs and weapons, for example—and there are necessary occupational health and safety laws governing working conditions. We refer you back to Figure 1.1 again. We still call our markets free despite these and other restrictions, such as anti-discrimination legislation, the prohibition of child labour, and taxation. Utilitarian considerations are tempered by respect for persons and their rights. It should be remembered that Adam Smith believed that the pursuit of individual gain could occur only in an environment regulated by ethics and social controls.[32] It is arguable that business requires deontological as well as utilitarian principles if it is to operate as more than a ruthless struggle for wealth. There is a more positive way of putting this: business must respect rights and assume its appropriate duties if it is to meet the expectations of society and enjoy the confidence of its stakeholders. Making a profit is not the only criterion by which business is judged.

What duties does business have? It is easy enough to spell out a list of specific duties—such as not deceiving, being frank and fair with shareholders, treating colleagues and employees justly—which will save people thinking this question through, but perhaps that is not the most desirable way in which to raise ethical awareness. Templates are meant to save time, not promote reflection. Even a succinct hierarchy of duties, such as that proposed by William Frankena, will be better than a list of specific duties at revealing why it is important to reason ethically in business. Frankena's hierarchy of duties is this:

1 do no evil
2 prevent evil

3 remove evil
4 do good.[33]

These duties, of course, are general in nature; they apply to everyone. So how are they to be connected, if at all, with the conduct of business? Within business, which of these four general duties apply, and when?

The difficulty in applying this hierarchy to business is the diffuse nature of business and the variety of roles it requires. The creation of wealth, employment and a taxation base for the provision of social benefits such as education, health, defence and welfare is an outcome of the business purpose, but not directly aimed at preventing and removing evil or even the doing of good. Yet it would be unreasonable to set the sights of business ethics as low as doing no evil. According to classical economic theory, it is by paying attention to the success of its own enterprises that a business furthers the common good. To abandon good business practice in order to satisfy social demands would seem to be self-defeating.

MORE ABOUT BUSINESS

Business could be called the world's oldest profession. Since the beginning of organised society the buying and selling of goods and services have been important means of encouraging the production and distribution of social necessities. Because of the importance of individual initiative and competition in these processes, those who confer mythical powers on the market may overlook the social purpose of business. As with the mythical heroes of legend, great honour has been bestowed on entrepreneurs and their deeds, and the vocabulary of battle and chase has dramatised the mundane affairs of exchange. Of course, if business were like war, no society would or could tolerate it. Business exists not because it suits certain individuals, but because it serves society, and meets collective and individual needs.

This is not, of course, how business is usually presented. The traditional view is that the true market system is essentially free. Adam Smith's view that individual preferences combine to produce order from self-interest is no doubt comforting to rampant individualists, but implicit in all legitimate business transactions is a **social licence**.[34]

Free markets are a matter of choice, and from time to time societies—or, more usually, governments—have chosen to dispense with them and work through command mechanisms. Although **command economies** might not have been very successful, they retain a strong attraction for many people. Therefore, business in market economies needs to be mindful that it enjoys its position because society believes that the benefits of the system outweigh the costs. This is even more true of modern societies because of the dominant role in them of corporations and the privileges, such as tax concessions and limited liability, that they enjoy.

Social licence: The level of acceptance or approval granted to an organisation's operations by the local community and other stakeholders (see Chapter 3 for discussion of stakeholders).

Command economy: An economy in which production, prices and incomes are determined centrally by the government.

Case in Point 1.1: Market honesty

Imagine that you are the distributor of a leading brand of desktop computers. You are expecting a big fall in price on your new top-line model in the next quarter, but you have a lot of old stock on hand. As news of the lower price on the more powerful model has not become public, you can continue selling its predecessor without discounting the price. If word were to get out, people would defer their purchases until the more powerful and competitively priced model came on the market, so you warn your staff to be very careful with such sensitive commercial information. One of your staff comes to see you to question this policy. He argues that it is taking advantage of people to deny them access to information that will allow them to make a proper purchasing decision. 'What about your moral duty to the community?' he asks. Your sales manager replies that there is a difference between concealing and not revealing. 'I am not at the moment revealing to you the theory of relativity, but I am hardly concealing it from you', she tells him. 'There is no ethical issue here.' Which of them is right?

One response is that silence per se is not concealment. Concealment lies in seeking your profit by keeping from others information in which they have an interest.[35] Unfortunately, such a definition of 'concealment' does not help us resolve issues of trust and honesty. At an auction buyers conceal the very thing that it is in the interest of other parties to know, namely the figure they are prepared to pay. Similarly, sellers at auction conceal the amount they are prepared to accept. Concealment is a more complex matter than simply calculating who profits from it.

While we have become used to the notion that certain acts are intrinsically wrong, the attempt to catalogue these for easy reference is by no means straightforward. It is not concealment per se which is wrong, but preventing others from making an informed contract. Quite simply, it is dealing with others on terms that are deliberately set up to disadvantage them. The vice of dishonesty is the thing to discern here, not the relatively simple matter of concealment, which in the case of a surprise party may be a necessary means to the realisation of a good. These cases stop one or two steps before fraud, and so are particularly interesting. Falling short of open fraud makes them morally debatable, thus revealing that something more than a simple moral algorithm is required to resolve them.

There would seem to be a prima facie case for some social responsibility on the part of business, and it might be assumed that debate would focus on the extent of that responsibility. But this is not how some writers see it. And it is in this disagreement that fundamental problems of business ethics arise. The standard non-interventionist position was once held by Peter Drucker.[36] He put the case with classic simplicity: society sets the ground rules for business, and business has no other duty than to follow those rules in pursuing its interests. It is not for business to usurp the

democratic processes of public policy-making by taking decisions on the spurious grounds of social responsibility. Business ethics is a matter of observing the law of the land and acting fairly. It is not a matter of individual managers or boards assuming responsibilities foisted on them by people who believe that business should pick up the tab for schemes of social improvement.

Milton Friedman argued for an even stronger directive: not only does business not have a duty to have an eye toward social responsibility; business has a positive duty not to have an eye in that direction.[37] Friedman argued that the notion of social responsibility in business is objectionable. Managers and directors owe a fiduciary duty to shareholders, not to society or putative stakeholders. We elect legislators to make policy in democracies: for non-elected officials to do so violates the democratic mandate, and allows the injection of private decisions, values and priorities into public life. A legislator has to consider the reactions of many parts of society, and seldom has the luxury of indulging personal whims, preferences or values. By contrast, people of conscience (those who would include social responsibility as part of their job descriptions) have no constituency to answer to: they are defending their personal integrity, which, ironically, is responsible not to society but to themselves as individuals. This may be individually satisfying but it is not, according to Friedman, socially justifiable. It is not mandated, and it is not democratic. There are two things here then: the first is the questionable fairness of placing the burden of social responsibility on individuals; the second is the wisdom of placing it on groups or organisations whose continuing benefits are important to society. In any case, the notion of social responsibility is hardly trouble-free. In a liberal society, the question immediately arises, 'Responsible to whom?' While many accept that they belong to a society, this loose sense of belonging is at the very least questionable. Liberal societies are nowadays more legal communities than moral ones, and this makes public accountability in matters of ethics rather tricky.

The work of philosopher Jonathan Dancy suggests an interesting way in which the question of business accountability might be conceived. He distinguishes between values and moral reasons that apply to everyone generally, and those that apply specifically to certain persons or to persons in certain situations. He illustrates the distinction in the following way. Imagine that you install a phone in your home that will give different rings for different members of the family. In addition to the usual phone number and ringing tone for the common family number, members each have their own number that gives a distinctive ring when their numbers are dialled. All the rings are audible to all the family, but unless the general number is dialled, only the person whose distinctive tone rings feels called to answer it. Others may answer it, just as they might answer an absent colleague's phone in the office, but there is not the same 'obligation' or the same 'call' to do so as when a person's own number rings. If someone is able to take a call and a message for another member of the family, well and good, but if that person is busy or resting, they might prefer to let the caller ring back. People do not feel called in quite the same way as if their own ring or the general ring were sounded.[38]

This is how it is in ethics. The fact that there are personal calls directed to us does not mean that ethics is subjective. On the contrary, for much of the time others can hear our number ringing

and may wonder why we do not answer it. Should we, in business, answer the call when it is the general number that is ringing? Should we, in business, pick up a call for someone else when they are not answering? In the following chapters we identify some of the distinctive moral calls to which business should respond. We can be sure that, if business ignores these calls directed specifically to it, then others will decide to answer them to stop the phone ringing. And they might well be hostile to business for having to do so. It would at the very least be prudential, then, for business to heed well the call of ethics.

Self-interest

It is quite common for human conduct, even apparent acts of altruism, to be attributed to just one motive: self-interest. In business, this view has, at times, almost attained the status of a dogma. In films like *Wall Street* and *Bonfire of the Vanities*, the main characters are driven by greed and ambition that represent the worst excesses of self-interest. Every business student will know of the fundamental place of self-interest in Adam Smith's economic theory:

> It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages.[39]

Let us take a closer look at the concept of self-interest. First, self-interest is not identical to selfishness. Selfishness is an undue regard for one's own interests at the expense of the reasonable interests of others. Self-interest may be expressed in observing the dress code at work, in eating a balanced diet, or simply in personal hygiene. None of these instances could be called selfish. As we noted earlier, these are acts of prudence. Selfishness is an excessive preoccupation with one's own welfare. Sometimes selfishness and self-interest coincide, but they are not conceptually identical. Selfishness is an inability or a refusal to count another's good as a reason for acting. It is a socially disabling vice. Self-interest is not disabling in this way. It can be excessive, but it also enables us to live our day-to-day lives in a reasonable way.[40]

Of course, if self-interest did explain all conduct, this would be something we could never know. This is because if there is no possible set of circumstances that could refute this claim, we could never know that it underlies everything we do. In the light of this, claims that people are egoistic in all their acts look very weak: are such claims attempts to evade ethics?

When it comes to matters of ethics, probably the most important practical problem for businesses or professions (or even individuals) is the question of how to turn an erstwhile ethical problem into a non-ethical one. The really difficult (truly) ethical problems are ones where this cannot be done; and so the problem is to avoid the difficult ethical problems when we can. Matters of prudence are not always easy, but they are not as difficult, contentious, often unpalatable, and fraught with danger as are matters of ethics.

Good ethics is good business

The phrase 'good ethics is good business' has received much discussion. Some have suggested that there is nothing peculiar about the issue of ethics in business, arguing that good business decisions as business decisions will, as a matter of course, be ethical because good ethics is good for the bottom line. There is nothing special about 'good ethics': ethically sound decisions will be sound business decisions; the two coincide.[41] In this respect, the basis and sole concern of ethics, at least in business, is self-interest.[42]

It is worth considering further the scope of arguments that good ethics is good business. Much of the discussion of this topic has been polarised: either good ethics is directly and immediately good business or else good ethics is not good business. This is too simplistic. Ethical behaviour can be related in a number of ways to furthering self-interest. Consider these possible connections between ethical behaviour and the promotion of a business's self-interest.

1 Straightforward or simple coincidence

In some cases, doing the ethical thing (or avoiding the unethical thing) is actually the best course of action with respect to self-interest. There is a straightforward coincidence between ethical behaviour and the enhancement of one's interest; the two go hand in hand. It is not difficult to think of examples here. For instance, a reputation for qualities like honesty, integrity and conscientiousness has a business value. Here, then, is a straightforward coincidence, of a connection between good ethics and good business.

2 Self-preservation via socially created, institutional coincidence

Sometimes, doing the ethical thing will be best for the sake of self-interest, but not because ethics straightforwardly coincides with the best business decision. Rather, if the business itself does not regulate its behaviour, then it will be externally regulated or fall foul of already existing external regulation. Usually it is in business's self-interest not to engage in fraud because society has enacted legislation to discourage business from behaving in this way. The risks to self-interest from the penalties for so behaving are enough to make the potential benefits of fraud high risk. Therefore, it makes straightforwardly good business sense not to be unethical in this regard. A business person does not need to have an eye specifically on ethics here; it is enough to have an eye on what is likely to be good (or bad) for business. Legislation is not always necessary, for it is clear to business that it can either regulate its own conduct (that is, make sure that it reaches some standard of ethical acceptability) or else have that conduct regulated from without. Usually, from the perspective of self-interest, business finds it more appealing to behave ethically or to impose ethical requirements on itself than to have such requirements imposed from without. It is better for business's bottom line this way. Notice that the coincidence here is not a straightforward one. Rather, society has engineered this coincidence.

3 A little effort

In some situations, it can be in a business's self-interest to do the ethical thing, but only if it goes further than simply doing the ethical thing. For example, if the business publicises having done something with moral merit, it can get some bottom-line mileage out of its action. Chrysler Motors set up a car buyers' bill of rights, articulating the guaranteed quality of its products and the guaranteed performance of the company in certain areas. It also set up a formal consumer protection 'tribunal' to ensure that performance was up to scratch; if it was not, the tribunal was empowered to impose sanctions on the company.[43] (This was ethically commendable performance.) By itself, establishing such a tribunal might or might not (and probably would not) have enhanced the company's bottom line. However, Chrysler used this ethical performance as the basis of an advertising campaign explaining why people should do business with them. And this was good for business. It was not the ethical behaviour by itself that accomplished this. It was, rather, the extra effort made by the company in publicising that behaviour. Here, too, it is not difficult to come up with more examples: The Body Shop, and its promotion of its practice of not selling products that have been tested on animals, is a particularly well-known example.[44]

4 Lateral thinking or augmentation

Doing the ethical thing can be augmented (or protected) so that it serves the business's self-interest. However, without this augmentation, it is not clear that this would be so; indeed, it would appear not to be so. For example, a building company that had established a reputation for quoting accurately and completing its jobs on time found that its competitors were understating both time and costs, and winning contracts away from this company. The competitors' quotes were initially lower than this company could honestly offer. But then, within legally acceptable parameters, the construction times and costs of the competitors would increase once the jobs were under way. This, of course, had been anticipated by those competitors. To protect its virtues of honesty and integrity (to protect its ethical behaviour) in this atmosphere, the company decided to offer a bond along with its quotes. The company said to its clients, 'If we fail to deliver in terms of time and costs, the bond is forfeit. All we ask is that you ask our competitors to do the same'.[45] The result was that the company successfully protected its moral behaviour and, with the augmentation of that ethical behaviour, turned its virtues into a benefit for the company's bottom line. This differs from position 3 in that something extra is required here in order to prevent the ethical behaviour from actually being detrimental to self-interest. Here it is a matter of engineering protection for the ethical behaviour (creating a situation in which the ethical behaviour will, in fact, be good for business), not merely publicising its existence. In position 3, it is the ethical behaviour itself that can be promoted in such a way that it serves self-interest. In this case, however, it is not only a matter of promotion; it is also a matter of augmentation or protection. Something has to be added.

5 Not good at all

This is the polar opposite of position 1: in this type of case, there is no coincidence whatsoever between good business and good ethics. In such cases, doing the ethical thing is contrary to self-interest, no matter what. Some people have denied that this is a genuine possibility (certainly the great English philosopher, Thomas Hobbes (1588–1679) did). It is, of course, a view that would not be at all popular among those who advocate that good ethics is good business—and more particularly, among those who advocate that the reason *why* businesses would be ethical is *because* that is good for business. But this is exactly the situation that we noted above as being the hallmark of ethics. Here, ethics costs. Behaving ethically does not serve one's self-interest. It is not at all difficult to think of examples where, say, behaving honestly or behaving with integrity will have the effect of requiring one to forgo some advantage, requiring one to forgo an opportunity to advance one's own interest.

It might seem as though these points border on the obvious. It is clear, however, that this kind of thinking has escaped many who believe that good ethics will always naturally coincide with good business—in one way or another—and that the task set in discussions of business ethics is to find the coincidence or ways to make them coincide. But there is an important point that arises from this; and we will return to it shortly.

If we were identifying the criteria for an ethical opinion (not necessarily a *correct* ethical opinion), as well as nominating features such as universality, justifiability and 'overridingness', we would make reference to impartiality and the necessity of taking a broader perspective than self-interest.[46] For reasons such as this, moral philosophers most commonly think that 'ethical egoism' (not to be confused with 'psychological egoism')[47] is an incoherent position; as an ethical position, it is a 'non-starter', precisely because it identifies one's self-interest as the reference point for the moral world and the gauge of what is morally right and morally wrong. When it comes to thinking about individuals—and simply getting along in the world—it is generally accepted that doing the morally right thing will sometimes differ from acting in one's own interest. While serious questions are often asked about why one should adopt a moral perspective, rarely would we question the proposition that a moral perspective has a broader basis than self-interest alone. Given this, why should there be so much concern to say that the situation in business is different—that good ethics must enhance the bottom line (that is, that ethical behaviour must advance self-interest)? It would seem that those who have pushed this line so hard have ignored the situation for individuals—perhaps in their hurry to offer an easy, prudentially acceptable and palatable reason for business to be ethical. For individuals, sometimes doing the morally right thing works in one's interest, but not always. The situation for business is no different. Perhaps an insistence on the coincidence of ethics and self-interest is an attempt or demand to make the difficult ethical questions easier to comprehend and resolve than, in fact, they are. The important and difficult question 'Why should I be moral?' is no more easily answered for business than it is for individuals.

For this reason, when it comes to matters of ethics, probably the most important practical problem for businesses or professions is (as noted above) how to turn an erstwhile ethical problem into a non-ethical one. The really difficult, (truly) ethical problems are ones where this cannot be done; and so the challenge is to avoid the difficult ethical problems when we can. Matters of prudence are not always easy, but they are not as difficult, contentious, often unpalatable, and fraught with danger as are matters of ethics. Moral reasoning is difficult and it is messy; and often an ethical resolution is not clear-cut. Moreover, an ethical resolution will most typically involve the constraint of one's (prudential) interest for the sake of someone else's. So, even if a resolution is clear-cut, it could be costly. It almost certainly will not be something that you *want*. Moral problems occur when one is faced with questions about constraining one's own interest in the name of someone else's interest. The point here is a simple, but important, one. Namely, it is preferable, when possible, not to have to sacrifice one's interests at all. It is certainly more *inviting*, more *welcome*, and more *palatable*. But, it is also important to appreciate that this is not always possible.

The search for the ethical–prudential coincidence in business could, in fact, lead to a different conclusion. One might take the view that morality is none of business's business. Perhaps we can call this 'the Friedman view', after American economist Milton Friedman's bold claims in the late 1960s and 1970s about the inappropriateness of allowing ethical concerns into the business arena.[48] From this perspective, business is seen as appropriately out of the wider moral realm altogether; it is a non-moral or an amoral operator subject only to the law and its obligations to shareholders. Note how different this view is from the one that suggests that business activities are within the moral realm and should be made to coincide with the business's self-interest. The Friedman view, however, is largely irrelevant to the discussion here, where it is recognised that business can engage in moral or immoral behaviour.

There is a serious danger in conceptualising business and ethics in terms of good ethics being good for business. The point of stating that good ethics is good business is to offer an answer to the question 'Why be ethical?' If the answer is 'Because it's good for business', then if some bit of ethical behaviour were *not* good for business, it would be impermissible to engage in it. The idea that ethical considerations might counterbalance or act as a constraint on other considerations is simply dismissed. This puts ethics on the same side of the scale as anything (else) that is good for business. There is no counterbalance at all.

Seeing good ethics as good business in this way invites one to place ethical behaviour on a scale—a scale measuring what is good for the business. The idea, then, is to see where the heaviest weight lies. And this is precisely the danger. The implication is that if the heavier weight lay on the scale in opposition to ethical behaviour, then it is that non-ethical behaviour that should 'win', and so be permissible, despite the fact of its being unethical. This way of conceptualising the situation makes ethics just one of the many considerations to be taken into account, the focus of all of which is directed solely toward how good they would be for business. 'Good ethics is good business' implies that the reason for behaving ethically is that such behaviour is good for business, and that if it were good (or better) for business for one to behave unethically, then unethical behaviour would be permissible, perhaps even obligatory.

SUMMARY

Ethics has been explained by a variety of theories, which we have discussed in this chapter. These are the theories that commonly inform ethical arguments, and you should be able to recognise their use in a business context. You should also now be able to recognise when a case for business advantage hides behind an ethical disguise, and, most especially, that ethics and self-interest do not always go hand in hand.

REVIEW QUESTIONS

1 Is it clear what the attraction is to the idea that good ethics is good business? Is it also clear what the danger is with this idea?
2 Can you give an example from the field of business that reveals that in considering an ethical issue, we pay attention to rules and also to producing certain consequences?
3 a Is it clear that the ethical requirements cannot be rule-bound?
  b Is it also clear that within this context it can be shown that an ethical requirement was breached?
  c Can you give an example?

FURTHER READING

Paul Boghossian, 'The Maze of Moral Relativism', *New York Times*, 24 July 2011, accessible at http://opinionator.blogs.nytimes.com/2011/07/24/the-maze-of-moral-relativism.

For a sharp and clear challenge to relativism, see this article by American philosopher Paul Boghossian.

Lawrence M. Hinman, Ethics: A Pluralistic Approach to Moral Theory, 4th edn (Belmont, CA: Thomson Wadsworth, 2008).

This is an informed and practically oriented survey of moral perspectives.

William Frankena, Ethics, 2nd edn (Englewood Cliffs, NJ: Prentice-Hall, 1973).

This classic short introduction to moral philosophy is highly regarded for its clarity.

Stephen Cohen, The Nature of Moral Reasoning: The Framework and Activities of Ethical Deliberation, Argument and Decision-making (Melbourne: OUP, 2004).

This is a process-oriented approach to moral reasoning, focusing on what the reasoning is out to achieve and what its mechanics are.

WEBSITES

Ethics Updates: http://ethics.sandiego.edu

Ethics Updates is 'dedicated to promoting the thoughtful discussion of difficult moral issues'. The site is managed by Lawrence Hinman and offers, among other things, discussions of different theoretical ethical positions, and applies them to contemporary ethical issues.