

Business Ethics
The Right Way to
Riches

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FOREWORD

You may own your own business, big or small. Perhaps you work for a corporation as a middle-level manager or CEO. You may be employed in the public sector or serve on the board of a not-for-profit organization. You may own your own business or work for a publicly owned one. Whether salaried or self-employed, whether working for a profit oriented business or for a non-profit organization, in many ways the issues are the same. If you are a person who cares about succeeding in business *and* doing the right thing, then this book is for you. If you are the kind of person who only wants to get ahead, at whatever cost, don't read any further. But if your character matters, if you have moral principles and want to protect them, if you want to do good and avoid harm, if you care about being fair, if what happens to other people matters to you, read on.

Business people want to know what to do and how to do it. When you are managing an organization, there isn't time for theorizing. As the old adage goes, "Time is money." So ethics is often thought of as a waste of time. This is far from the truth. Ethics and business go hand-in-hand. The better you understand ethics, what constitutes a moral problem, and how to make ethical decisions, the more of a success you will be. This may not necessarily get translated immediately into higher profits or a more efficient outcome, but it will enhance your overall satisfaction with your life, add to the good of the community, and, in the long run, make your business a better one.

The first time to think about ethics isn't when you are faced with a moral problem. If you already understand the fundamentals of ethics, you will identify a moral issue quickly and be able to make sound judgments about the situation. In other words, you can approach the matter in a sound and ethical manner. You won't spend an inordinate amount of time

figuring out what to do and you will increase your chances of making the right, the good, the ethical choice.

Unethical Behavior in the Workplace

The types of misconduct most frequently observed in 2003 include: abusive or intimidating behavior (21%), misreporting of hours worked (20%), lying (19%), and withholding needed information (18%).

2003 National Business Ethics Survey

It is the rare individual whose ethical values aren't tested at one time or another. Moral concerns and dilemmas in the workplace are common. And there is much room for ethical improvement. The 2003 National Business Ethics Survey found that nearly a third of respondents say their coworkers condone questionable ethical practices and that managers with less than three years in their organization were twice as likely to compromise ethical standards. Nearly half of all non-management employees (44%) did not report the misconduct they observed. The top two reasons given for not reporting misconduct were: (1) a belief that no corrective action will be taken and (2) fear that the report will not be kept confidential. Senior and middle managers had less fear of reporting misconduct and were more satisfied with the response of their organizations.

The reality of the workplace was reflected in the opinions expressed by business students. About a quarter of 1,700 students interviewed by the Aspen Institute (2002) thought that they weren't being prepared at all to deal with ethical conflicts in the workplace. This is especially troubling in light of a 2005 Roper Poll in which 72 per cent of the respondents said that wrongdoing was widespread in industry. Only two per cent of those polled found Fortune 500 C.E.O.'s "very trustworthy."

This book is practical but not in a how-to sense. You may be looking for a book that gets right to the point and tells you what to do. This isn't that book. Instead, it is designed to

help you to understand what ethics is and to help you prepare to deal with the conflicts that are inherent not just in business but in all aspects of life. Is this a roundabout way of dealing with the subject? I don't think so. You really can't be ethical in business unless you are grounded in a moral framework, for business ethics is just a special category of ethics. Once you understand the basic ideas in ethics you can apply them anywhere.

Ethics is about getting along with people. It is the way people should relate to one another in an ideal sense and then figure out how to apply that in real-life situations. This is true whether you are referring to family or neighbors, business associates, or distant, even unknown, customers.

One approach to business ethics is to learn the relevant rules that govern business. This approach is badly mistaken. Morality in business ethics is fundamentally about what kind of life you want to lead and how to conduct yourself in a way that is consistent with your ethical values and principles. The way you evaluate being moral in business is not much different from how you evaluate being moral elsewhere in your life. The basics are the same whether we are talking about business, family, friends or government.

If you think that morality is either obvious (don't lie, steal, or cheat.) or irrelevant (business is about making money and ethics is an impediment to success), then consider Google's ethics committee formed to help the company keep to its motto, "Do No Evil." This is a simple and unexceptional moral position to state (who wants to do evil?) but it is difficult to implement, as the following questions show. Taking Google at its word that it is serious about business ethics, the BBC News World Edition (May 20, 2004) posed the

Ethics and Nonprofit Organizations

Harvard's Hauser Center for Nonprofit Organizations has found 152 cases of misconduct by U.S. nonprofits between 1995 and 2002, including 104 criminal cases. The author, Marion Freemont Smith, notes that as NGOs operate more like businesses, there will inevitably be a greater need for tighter rules.

following questions for the committee's consideration. Some of the questions were first raised elsewhere by those who write about the connection between technology and ethics. Supposing you were Google's spokesperson or chair of their ethics committee. What would you say? It would be interesting if you came back to these same questions after having finished the book to see if you would now answer them differently.

1. From being a stripped-down search engine, Google is now a major player in advertising. Its webmail system, Gmail, runs on inserting adverts into people's e-mails. "How far should this go?" asks Danny Sullivan, editor of Internet Search Engine Watch. "Is it ethical to put ads on absolutely everything they do, almost like a supermarket floor?"

2. How much personal data should Google collect? The company is going to understand more and more about what people are doing online, says Sullivan. But does that mean our information is fair game?

3. How much permission should goggle seek when it wants to "mine" public data for new facts? asks Danny O'Brien, co-editor of the technology newsletter NTK. "Say Google designed a system that could scan photographs online, and tell you where they'd been taken. Would it be OK to collect all the snapshots uploaded on the net and index them, even when people could find out where you lived from your photo album? Is it OK to use public information to uncover facts that might have been private?"

4. How much should the company intervene in search results? The "ethics committee," which the company says is an informal discussion between interested managers and staff, debates changes to the algorithms, which

order search results. Spammers who try to skew the results are one target of adjustments, according to software engineer Eran Gabber. But any alteration will change the way people see the web, so should they be undertaken lightly?

5. Does Google have a role in taste and decency? Sullivan says the company will remove search results for legal considerations, but what about other cases? What about links that showed, for instance, video of American Nick Berg being beheaded?

The questions are complex, and the answers require sophisticated thinking grounded in an ethical sensibility.

Ethics training should begin early, and the business world is best served if those entering the field already have a moral compass to guide them. With that compass a person can pretty much learn to find his or her way, no matter how complicated the map, no matter how tangled the thicket.

Ethical principles have business value most of the time. But truly there are times when there is a genuine conflict that can't be willed or wished away. Only you can decide how much profit is enough profit, the extent to which you balance your need to make a profit with your integrity or whether to stick by a principle or look to the benefit or harm that comes from compromise. However, with the tools for thinking about such issues in hand and the continued assistance of a business environment that rewards good people and ethical behavior, business ethics and the good life can be understood as partners after the same goal.

There are two main points to this book: 1. the ethical behavior of individuals in business is necessary for the well-being of people in general and 2. the ethical behavior of an organization leads to its long-term success. There is an aphorism in business: You manage what you measure. This book encourages you to measure your ethical

sensibilities and choices. When you do that, you will then manage your moral life. This will be good for you and for your business.

When is enough enough?

Richard A. Grasso retired in 2003 as the CEO of the New York Stock Exchange, an organization of 1,500 people and \$1 billion in revenue. His compensation package was worth \$139.5 million.

Philip Purcell received a \$113 million payout to leave Morgan Stanley and James Kilt \$165 million for selling Gillette to Proctor & Gamble.

Lee Raymond received a \$400 million package when he retired as CEO of Exxon in 2006.

Robert Nardell of Home Depot received \$210 million severance pay when he was dismissed by the board for the company's poor performance.

Throughout this book, the words morals and ethics will be used interchangeably. Not everyone agrees with this. Some think of morals as social conventions, whereas ethics are considered the philosophizing about these conventions. Another distinction is that ethics are the general rules governing social relations while morals refer to the specific application of those rules. There are other ways of thinking about these two words, but for the sake of this book, they will be treated as synonyms.

In Cristina Nehring's words, this book is an invitation to a fight. Don't take my thoughts as the final ones. Wrestle with them, check them against your own experience, measure them against the world around you. Argue passionately, take nothing for granted, think for yourself. As you continue with this book, you will see why these activities are necessary in order to be an ethical businessperson.

CHAPTER ONE

Understanding Ethical Theories

Being an Ethical Person

Ethics: a concern with good and bad, right and wrong, better or worse; the values you hold and how you achieve them.

Business ethics: the goods and goals a business seeks and how it goes about achieving those goods and goals in relation to ethical principles and values.

Just as a fish doesn't know it swims in water, it is difficult for us to know that we live in an ethical universe. We are so immersed in an ethical world that we hardly ever pay attention to it, but consider the following. As soon as you woke up this morning, you began your day by doing things where you didn't question the intentions of others. For example, you assumed that your toothpaste hadn't been tampered with by the manufacturer, your oatmeal hadn't been poisoned by a disgruntled employee, the gasoline in your car hadn't been watered down by a greedy station owner, or the person on the street corner next to you wasn't a thug. When you arrived at work, you assumed that your private correspondence hadn't been tampered with. You assume that you will get paid for the work you do at the agreed upon price, that when you engage in a transaction, the truth is being disclosed about the conditions involved.

Business isn't an entity that functions under its own volition. It is composed of people

who make decisions that determine its nature. When a business engages in unethical behavior, it is because people have made particular decisions that are unethical. They could have chosen otherwise. Sometimes the temptations to skirt around ethics are so great or the business climate itself is so corrupt that government oversight becomes a necessity. Repeated corporate scandals strongly point to the need for institutional regulations and laws to stem such systemic, large scale, and repeated corruption. Business ethicist John Boatright goes so far as to argue that ethics in business can only be achieved by creating moral *markets* through greater government oversight and regulation rather than through moral *management* decision making. He believes that expecting business managers to be morally grounded in their decisions is unrealistic since it is antithetical to the market-driven logic of business activities.

Boatright has a point. There are great pressures to cut moral corners. The rewards are so enormous and opportunities for corruption so commonplace that many cave in to temptation. But having said this, there is no getting around the fact that you will inevitably face choices that call your ethics into question. You will have to decide whether to be truthful, fair, to benefit, or to harm others. What will you do? How will you decide? So this book begins with you and looks at what it means to be an ethical person in general and then in the business world in particular.

Business people make decisions all the time, choosing between various options. Not all these choices are ethical. Some are purely preferential, such as whether to stock the company vending machine with colas or coconut drinks (although there is an ethical consideration whether to buy local, foreign, or multi-national products). Other choices are aesthetic, such as whether your shirt should be white or orange. Some aesthetic choices, though, have moral dimensions, such as the layout of office space. For example, the Aluminum Company of America (Alcoa) head office is not only aesthetically award winning, but it also conveys an attitude towards a corporate philosophy. Eliminating corner offices, the traditional power spot in an office hierarchy, and arranging office space in an open and casual atmosphere where no one, including the CEO, sits behind a closed door reinforces team spirit. The building design itself helps set a climate of

teamwork, mobility and productivity, all business values and all reflecting an ethical relationship between the various levels of management and workers.

Personal Ethics

You should come to business with a moral code. You're certainly not going to learn it later on. If people conduct themselves in ways that could be deemed immoral, I wouldn't really blame Wall Street, I would blame the individuals themselves who by and large should know better.

Felix Rohatyn

Other choices have ethical aspects to them. Some of these may seem trivial, such as "Is it OK to tell my co-worker that he isn't looking well today?" while others are profound, such as "Do I employ child labor in underdeveloped countries?"

Some ethical decisions focus on you as an employee; some may focus on you as an employer. You may be a middle-level administrator, supervisor, member of a board of directors, consultant, or C.E.O. You may work on your own, the business may be for profit or a not-for-profit; you may be a manufacturer, middle-level manager, or work at the service end of the industry. Whatever the nature of your work, whatever you do, the choices you make and your decisions show the kind of person you are. By your behavior (and intentions, to a degree) you are known. Many of your actions, even when not obviously so, have an ethical dimension. This book is designed to help you understand the way in which ethics is embedded nearly everywhere in your work and personal life, and it is meant to help you make better and more ethical decisions.

It is the nature of the work that a businessperson—and all professionals, for that matter—operates in the midst of a world filled with ethical considerations and conflicts. This is

not say that ethics is the only concern, but it is equally mistaken to say that ethics plays only a supporting role in business. It is far more than that. Certainly, those in business are in the business of running a successful organization, just as lawyers are in the business of winning cases and doctors and psychotherapists are in the business of curing illnesses. In each instance, though, something more is present than the explicit goal of maximizing profits, winning a case, curing an illness, or providing mental services to the needy. Sometimes moral matters are present only implicitly, as background, informing almost on an intuitive level, but occasionally the ethical component moves to the fore. It is made explicit and needs careful consideration. The situation at hand calls into question basic values and principles. Make a profit—yes, but how? Win a case—of course, but at what cost? Save a life—without doubt, but under all circumstances?

Case 1.1 Not-for-profit agency and the government

A private, not-for-profit mental health agency receives most of its funds from the county, a government that has been under investigation for years for its corrupt hiring practices. The county Department of Mental Health demands that the agency replace its present financial officer, who has served loyally and well for many years, with a person chosen by the county. The Department of Mental Health threatens to cut off the agency's funding if it doesn't comply. Without government funds the agency will go bankrupt.

If you were the director of the agency, would you fire the present financial officer and replace her with the county's choice?

Harvard and Columbia's Business Schools mandate ethics courses, and many other schools of business and management are following their lead by adding such courses to their curriculum. High-profile cases of corruption in the corporate world precipitated this movement, as the public's perception of the trustworthiness of business is under question. Still scandals persist. Revelations in 2005 allege that half of the 4,500 companies doing business with Iraq in the United Nations oil-for-food program paid illegal surcharges and kickbacks to Saddam Hussein, bilking the operation of \$1.8 billion.

There is nothing new in understanding the necessity of ethics to underlie business transactions. Business is a social practice and like all such endeavors, it must rest on a moral foundation. High profile cases such as the oil-for-food scandal are obvious, since such breaches of ethics involve huge sums of money affecting thousands of people in dozens of countries. The more pervasive yet mundane, ordinary moral matters remain obscured. If ethics were only a matter of, say, not lying or stealing, there would scarcely be reason to talk about it. Lying is wrong and so is theft.

High-profile scandals make us skeptical about human behavior. You only have to open the newspaper to read about the latest scandal—someone caught trying to release a toxic material into the air, someone stabbed in an office building, a corporate executive cashing in at stockholders' expense, a supervisor arrested for sexual harassment. Long Island is a New York suburb that hosts a number of businesses, from small to large. Scandal and crime have rocked it, like many other areas. Here is a list prepared by *Newsday*, Long Island's largest newspaper:

Company/Organization	Dates	Money Involved	What Happened
Silver Spirits/Perfect Grape	2001-2005	\$400,000.00	Silver pleaded guilty to mail fraud; faces 37 months in prison
Milan Capital Group Inc.	1999-2001	\$9,300,000.00	Monas convicted on larceny charges
Graham-Field Health Products	1996-1999	\$1,100,000.00	Selinger sentenced to 18 months in prison on securities fraud and conspiracy charges
Stratton Oakmont	1990-1999	\$250,000,000.00	Belfort & Porush each received four years in prison for stock fraud
Kensington Wells	1994-2004	N/A	The Tachers and four others have been sentenced to varying terms for stock fraud
Walsh Manning	1995-2004	\$80,000,000.00	Greene pleaded guilty to stock fraud charges; Skelly and Gross convicted
Vanderbilt Group	2003-2004	\$5,300,000.00	Stubbolo pleaded guilty to tax evasion and deceiving the state Dormitory Authority
American Tissue	2001-2005	\$300,000,000.00	Gabayzadeh convicted of securities, mail fraud and other charges
Foster Jeffries	1995-2004	see Walsh Manning	Paul and George Greco pleaded guilty to stock fraud charges
AppOnline	1997-2001	\$50,000,000.00	All four executives pleaded guilty to charges related to mortgage fraud; face civil penalties as well; not yet sentenced
Toussie Companies	1996-2000	\$25,000,000.00	Isaac Toussie pleaded guilty to felony false statements; Robert had charges dropped; 13 people pleaded guilty to involvement in housing

			scam; Isaac also pleaded guilty to defrauding Suffolk County
Steven Madden Ltd	2001-2005	\$100,000,000	Madden convicted of charges related to stock fraud, spent 41 months in prison; released April, 2005; paid more than \$15 million in total penalties
Benefits Plan Administrators	1997-2004	\$70,000,000.00	Isernio and 10 others pleaded guilty or were convicted of fraud charges; Isernio sentenced to seven years in prison; Nassau County recovered \$23 million
Renaissance Securities Financial Corp.	1996-2002	N/A	Cohen and other officers convicted in stock trading scheme
Sterling Foster & Co.	1997-2002	\$88,000,000.00	23 brokers convicted in stock manipulation scandal; Pace sentenced to more than eight years
Spectrum Brands	2001-2005	N/A	Burns pleaded guilty to civil charges of making false statements; Four indictments on fraud charges pending; civil charges also pending
AA Premier Realty Ltd	1999-2005	\$161,000.00	Sanzone pleaded guilty to second-degree attempted grand larceny; faces maximum of seven years
Bank of New York	2002-2005	\$43,900,000.00	Katz pleaded guilty to making false statements; four principals at R.W. Professional Leasing Services, a bank customer, pleaded guilty; Bank of New York paid settlement
Sharp International Corp.	1999-2002	\$50,000,000.00	All three pleaded guilty to mail-fraud conspiracy
Total		\$1,073,161,000.00	

Stories such as these, however widespread and distressing, are newsworthy because they are the exception, not the rule. That is the nature of news. By definition, the news is that which is out of the ordinary. The reality is that most people, under ordinary circumstances, are trustworthy and can be counted on to do no deliberate harm. This is true whether in personal relations or in business. However, corruption is more likely to take place in the business environment because “Companies will commit fraud if they think the benefits are greater than the costs,” says Esmerelda Lyn, finance professor at Hofstra University. She then adds, “Evidence has shown that [being ethical] actually impacts on the bottom line.” Just as honesty in personal relations leads to happier and more fulfilled lives, ethics in business leads to greater profitability.

When I told colleagues and friends that I was writing a book on business ethics, they replied with something like, “It must be going to be a very short book” or “Isn’t that an

oxymoron?” This reflects a widely held view. Many outside of the business world believe that these comments from David Liss’s novel, *The Coffee Trader*, are an accurate description of what occurs in the realm of business. Liss writes, “A man of business lies all the time. He lies to put trades to his advantage or to construct circumstances just so. A man may lie to make his position look better than it is, or weaker than it is, depending on his goals. None of these are the same as lying in a way that may harm another man. These lies are merely the rules of business . . .” These comments are wrong on two counts. First, lying in business is the same as lying anywhere else. It is wrong because it gives an unfair advantage to the liar and, therefore, harms the person who is lied to. And second, it isn’t true that lies are merely the rules of business. Lying is the exception in business, as it is anywhere else. Businesses (and any social order) would come to a halt but for the fact that people can depend upon and fundamentally trust one another. Business begins with trust. Without it nothing would move forward. No one could count on anyone’s word and all verbal agreements would be bogus. Meetings couldn’t take place, or, if they did, what was said would be worthless.

Perhaps the best-known philosopher in business circles is Adam Smith, author of *The Wealth of Nations*. In this 1776 text, Smith presents his famous “invisible hand” metaphor. “Every individual endeavours to employ his capital so that its produce may be of the greatest value. He generally neither intends to promote the public interest, nor knows how much he is promoting it. He intends only his own security, only his own gain. And he is in this led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than he really intends to promote it.”

Far from being a call to selfishness, Smith’s theory assumes that individuals will act morally. Capitalism works to everyone’s advantage if and only if those doing business are moral in the first instance. Moral values must be the background and the values upon which business rests. Without moral behavior, the market system fails, as it slides into chaos caused by the lack of trust.

Smith was first and foremost a moral philosopher. For him economics was a subset of ethics. Smith would be slightly bewildered by The Greensboro North Carolina Chapter of the Society of Financial Service Professionals in accepting nominations for the Triad Business Ethics Award. This award acknowledges businesses that “demonstrate a commitment to ethical business practices in everyday operations, management philosophies, response to challenges, treatment of employees and to involvement in civic and environmental concerns.” “Of course,” Smith might say. “But what businesses aren’t ethical to begin with? It is the unethical business that is the exception, not the ethical one.”

Why is ethical behavior the norm rather than the exception, not only in the business world but everywhere? As a number of psychologists and philosophers have noted, human beings are ethical animals. It is in our very nature to engage in ethics. This doesn’t mean that all people are good or that people are good all the time. What it does mean is that because we are social creatures — we are born into groups, are raised by others, and live our lives in relation to others — we make certain claims upon each other. All of us live in a society, rub up against other people, move in a physical space, have needs and develop wants. Inevitably, we admire or disdain others; we praise them or blame them; we want to be around them or we want them to stay far away from us. It is impossible to live without thinking that “this” is better than that, this person “is admirable,” or that person “is despicable.”

This is what ethics is about: deciding that some things are better or worse than others, judging some things good and others bad, making claims against others, thinking some things fair and others unfair. You have reasons—or feelings—why something is right or wrong and why some things ought to be done or avoided. It is impossible to live without engaging in such evaluations. We inevitably engage in such judgments and construct relationships that attempt to promote the good things that we admire and want to discourage and avoid those things that we believe are destructive. Such is the nature of ethical judgments—sorting out the desirable from the undesirable, the good from the bad, the right from the wrong. We make evaluations about how we want to live and how we

want other people to live in relation to us. We evaluate the larger world around us and prefer to live in one kind of world rather than another. These evaluations express our preferences about how life ought to be and how one ought to lead his or her life. This is the ethical domain, the area of valuing and choosing, appraising and judging.

Behind these preferences—what we value and what we disdain—is a philosophy that sorts choices into a hierarchy. We prefer one thing to another; we want others to prefer some things to other things; we want people to act in certain ways. Unless you are a philosopher by nature, you are barely aware of the framework you are using, but it is there nevertheless. Everyone has a personal philosophy that is based on an ethical theory or theories. If we can become conscious of this personal philosophy, our ethical behavior will become a little more consistent and, therefore, better. Fortunately, there are philosophers who have thought about ethical matters a great deal and have developed theories for us.

Building a Moral Framework

All of morality aims at the same thing but there are several basic ways to get to the ethical decision. If you prefer, each approach is like a different tool — a hammer, a nail, a level. Using the right tool for the right job makes it easier to do your work and increases the chances that you'll wind up with a quality product. If you can grasp the basic ideas of each of the different approaches to ethics, you will be in a better position to make a sound ethical decision.

Aristotle promotes one of the three approach, David Hume another, and Immanuel Kant a third. There are other ways in which moral philosophy and philosophers can be categorized, but establishing ethical theories into their three schools is a useful way to understand ethics.

The three schools are virtue ethics, consequentialist ethics, and deontological or duty-based ethics. Keep in mind that each school provides a different approach to

understanding ethics. An analogy to your personal well-being is this: what is the best way to achieve a healthy life? One approach is through good nutrition, one is through exercise, another through a spiritual discipline, and another that stresses public health measures. Each is vital but inadequate by itself. It is bringing these — and other — approaches together that you can live to the fullest. Similarly, in ethics, no school answers all the problems raised by social living. In most cases, all three schools need to be considered in order to reach the best ethical decision.

Three Schools of Ethics

Virtue Ethics: Defining What Kind of Person You Want to Be

At the outset of this book, I said that how you behave determines the kind of person you are. This is mainly a virtue way of thinking about ethics. In virtue ethics, the central concern is what makes a good person. It focuses upon the well being of persons — what contributes to human flourishing — by assessing what is best for human beings. What needs to be done in order for humans to achieve their best? The standard used by the person who employs the virtue approach is basically one of self-assessment. We ask ourselves, "What kind of person do I want to be? Is my behavior consistent with that kind of person?" We try to avoid being hypocritical, where we say one thing but do another. Integrity is important to us, so in looking at ourselves we ask, "Can I live with myself if I do this? What kind of person am I if I don't do it?" Virtue ethics emphasizes moral character. In other words, virtue theory focuses upon the actor.

Aristotle is a good example of a philosopher who represents virtue ethics. He searches for *the* good life, something that is desirable in and of itself. For him it is living in such a way that promotes rational virtues. Reason helps locate the various goods that advance our well being, but we must develop the habits of implementing these virtues so they become part of our everyday behavior. You act ethically because you have practiced these virtues on a regular basis. Ethics is a matter of living your life properly and that

means being a virtuous person. A moral person is not someone who does the right thing once in awhile but is a person who lives life within the framework of ethical virtues. A good person is a person of good character, a person living in internal harmony, finding the proper balance between the extremes of too much and too little, deficiency and excess.

Virtue ethics fell out of favor during the Enlightenment, as an emphasis upon the universality of reason replaced a focus upon virtues and vices. Alasdair MacIntyre is one of the leading figures in reviving virtue ethics in America. He restored the idea that ethics is the study of what life could be like, not what life is like as we necessarily know it. Finding our true nature is the subject matter of ethics. MacIntyre criticized any ethical approach that raises reason to an exclusive place in morality. Virtue ethics, by contrast, places people in a context, that is, as part of a community of other human beings. This school avoids absolutes. It presents goals towards which you aspire and encourages the development of the necessary skills in order to develop moral habits. Virtue ethics stresses judgment over rule following.

As the name implies, this school of ethics establishes a set of virtues to which we aspire, a list of values to be achieved. The positive side of the value is a virtue; the negative side of the value is a vice. For example, hard work may be one of our values. Therefore, a virtue is industry, while a vice is laziness. Courage is another example of a virtue. The vice of excess is recklessness, and the vice of deficiency is cowardice.

Virtue Ethics

Key Questions Informing Ethical Decisions:

What kind of person do I want to be?

What virtues bring me closer to this goal; which vices prevent me from achieving it? Is my behavior consistent with being a moral person?

Some Main Principles

Aspiring to a set of virtues.

Avoiding a set of vices.

Integrity is a primary value.

Philosophers

Aristotle (384-322 BCE)

Alasdair MacIntyre (1929-present)

Pope John Paul II at a conference on "The Business Executive: Social Responsibility and Globalization" pointed out that the Christian businessperson should possess the following virtues: "diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, and courage in carrying out decisions which are difficult and painful." This position reflects the virtue school of ethics.

Generally, values are inherited from our family, religion, or culture. These are the characteristics that define what the group considers to be a good person. This school of ethics says that if the world were populated with people who lived consistently with these values, it would be a better place. Until that time comes, though, the least you are expected to do is uphold these standards yourself and show others through your example that your virtues are superior.

The American humorist Will Rogers neatly summarized the virtue approach by recommending that you live in such a way that you would not be ashamed to sell your parrot to the town gossip. If you pay attention to your conscience, if you care about what others would think about you if they knew all your actions, if feelings and emotions play an important part in your self-evaluation, then you are mainly using the virtue school of ethics in assessing moral matters.

Case 1.2: from a virtue ethics approach, board members may focus on what it

would feel like if they agreed to the county's demand and therefore implicitly endorsed the county's corrupt practices.

Consequentialist Ethics: Desiring the Greatest Good for the Greatest Number

Consequentialist ethics is the name for the moral philosophy that aims at maximizing human welfare. It is oriented towards results. It is not whether we accept, promote, and act upon moral values or whether our values fit together in an integrated whole, nor is it that we strictly adhere to ethical principles. Consequentialism doesn't consider motivation nor does it place a premium on consistency. While others may see this philosophy as a readiness to compromise moral values, consequentialists explain this as finding a workable compromise when there are legitimate competing interests. Unlike virtue ethics, which stresses individual character and integrity, consequentialist ethics directs us to act in a world that is full of ambiguity. Your own integrity is of less concern than finding workable solutions that lead to more good than harm. Consequentialist theory doesn't consider the actor but the outcome of the action taken.

Employing this moral philosophy, we look at the consequences of our behavior. It asks, "Of what use is my decision? What good can I do? What harm does the behavior create? Will the action make things better or worse?" In this way, consequentialism is a forward-looking ethic, one that is concerned with what will be. It rests upon making predictions about possible consequences of actions that you take. And, finally, actions are considered good or bad solely upon the effects they have on others. So, for example, consequentialist ethics considers it morally wrong to break a promise because of the effect breaking promises has, not because it violates your integrity or a principle. This approach to ethics looks closely at the context in which a decision is made.

Consequentialist Ethics

Key Questions Informing Ethical Decisions:

What impact is my behavior having on the world?

Am I doing more good or harm by my behavior?

Is my behavior making the world a better place?

Some Main Goals

Actions aim at bringing about the greatest good for the greatest number of people.

I work for the good of humankind. Benevolence is a primary value.

Philosophers

David Hume (1711-1776)

Jeremy Bentham (1748-1832)

John Stuart Mill (1806-1873)

Behind the desire to increase the goodness of the world to the greatest extent possible for the largest number of people is a feeling of benevolence or something like it—be it compassion, sympathy, lovingkindness, or a generalized wish for people to be happy. There is an ability to appreciate that others have desires and wishes, and a sense of a common good, just as we do. Without this moral feeling, consequentialism can fall prey to crass pragmatism, in which right and good are defined simply as what works.

With this school, we find ourselves more or less supporting a social system of equality, fraternity, and social justice, not because these are necessarily good in themselves, but because, as a system, they help to create a world in which the greatest number of people find the greatest well being.

Case 1.3: a consequentialist will weigh the likely costs of taking a stand against the county vs. complying with its demands. Consequentialism looks at the clients served by the agency rather than how board members feel about themselves.

Consequentialist ethics, as the name implies, measures morality by the good that it produces. This isn't a method for making a decision but the criterion by which something is judged as morally correct. The consequentialist vocabulary revolves around good and bad far more than around right and wrong. It asks, "What good will come of this?" not, "Is this the right thing to do?" David Hume is the forerunner of consequentialist ethics. One subset of this school, and perhaps its most popular form, is utilitarianism. Jeremy Bentham is the principal founder of this ethic, although John Stuart Mill is perhaps better known. The consequentialist view often holds sway in the business world, as success is mainly measured by outcomes rather than rule following or character building. The bottom line is quantifiable, and it is easy to extend this way of thinking into the moral realm as well.

Deontological Ethics: Doing Your Duty

The final school of moral philosophy that we will examine is known in philosophical circles as deontology. It is commonly referred to as duty based ethics. The term "principled ethics" is also sometimes used to describe this school. With duty-based ethics, the main concern is finding a rational basis for ethics. Once the duty is identified, it is to be strictly adhered to. Deontological ethics focuses neither upon the person's character nor upon what good the action will likely produce, but upon the rule, or, moral principle. The ethical thing is the right thing and the right thing is to do your duty in light of the principles that reason has established.

Deontological Ethics

Key Questions Informing Ethical Decisions:

What are my ethical principles telling me I should do?

What does reason require of me regarding my treatment of others?

What duties do I owe?

How do I decide between conflicting duties?

Some Main Principles

Arriving at ethical principles through reason.

Reasons must be consistent and coherent.

Having a duties to others based on ethical principles.

Respecting the autonomy of others is a primary value.

Philosophers

John Locke (1632-1704)

Immanuel Kant (1724-1804)

For those endorsing this school, deontology seems to be the only way of ensuring that morality is the same everywhere, i.e., that morality is universal rather than relativistic. Why is this so? If you are a person who uses principles as your ethical standard, you ground your ethics in reason. Just as reason demands that two plus two always equals four no matter where you live, what time it is, how old you are, or how you happen to feel, ethical principles are true because they are informed by reason, not feeling. In a way, ethical principles exist independently of particular individuals and their wants or desires. Desire is frequently self-serving and therefore an illegitimate consideration in determining morality. This rational approach has sometimes been termed “the view from nowhere,” meaning that ethics isn’t the viewpoint of individuals (even collections of individuals), but represents a standard that is outside all individuals. Deontological ethics functions much like the omniscient voice in classic literature. One strength of deontology is that it rules out favoritism and partiality since it demands that everything be considered objectively and without special consideration.

Duty based ethics claims the advantage of being objective and absolute, requiring that the duties be enacted irrespective of results, quite the opposite of consequentialism. Right and wrong are independent of outcomes. Furthermore, deontology avoids the problems of nepotism and a cultural relativism that is prone to accept undesirable and corrupt places in various countries throughout the world. It takes a moral stance and holds everyone to that same standard. Perhaps its greatest strength is that it provides the grounding for

respect for persons and the idea of human rights.

The German philosopher Immanuel Kant developed this approach to ethics in *Groundwork of the Metaphysics of Morals* in 1785. "Is there anything that is good in and of itself?" Kant asks. After rejecting a number of possibilities, he arrives at the answer: a good will, or acting out of a sense of duty is good in and of itself. This duty is "never to act except in such a way that I could also will that my maxim should become a universal law." Kant goes on to explain what that ethical maxim is: "So act that you use humanity, whether it is your own person or in the person of any other, always at the same time as an end, never merely as a means." People are ends per se. People have intrinsic value. Duties towards others inevitably lead to the notion that people have rights. Duties and rights are conjoined twins. I have a duty to not treat you as a means towards an end; you have a right to be left alone. Human rights, codified in many state constitutions and in United Nations protocols, are embedded in the idea of the worth and dignity of individuals. For example, the use of torture is a human rights violation and cannot be justified to get important but otherwise unobtainable information.

This moral philosophy leads us to the idea that we are obligated to act in specific, duty-bound ways. Your actions have nothing to do with prior or particular relations. The right thing has nothing to do with context. Ethics is a-historical and a-cultural. You have a duty towards others, and these duties are derived from ethical principles. This is the morality of "shoulds" and "shouldn'ts." You, as a principled person, are committed to acting ethically because your reason demands it of you. You owe it to another because you are duty-bound to provide it. You take action because it is the right thing to do. And this approach claims that any reasonable person anywhere in the world would be obligated to do the same thing.

Ethics derived from religious laws are also deontological in the sense that one is following a set of rules, which one is obligated to follow. Right is defined as those actions that conform to religious and sacred law.

Codes of ethics, too, are deontological; that is, they provide ethical principles that are governing rules. A violation of the code is tantamount to unethical behavior. Fidelity to a principle is viewed as the highest form of ethics.

Case 1.4: from a deontological approach, you may well focus on the nature of the financial officer's contract with the agency. What promises, implicit and explicit, were made to clients of the agency? Does participating in a corrupt political system violate any ethical principles?

The three schools of ethics are tools for thinking about ethics. Seldom do we use one approach exclusively. Each has its limits. You have to consider all three approaches to get a complete picture. As a person concerned with ethics in business, you reflect upon your integrity (the virtue school), try to produce good outcomes (the consequentialist approach), and follow sound ethical principles (the deontological philosophy).

Thomas Donaldson, director of ethics at the Wharton School of Business at the University of Pennsylvania, argues that economic advantages come to countries when people view ethics as something good in and of itself, not something to be valued because it leads to your advantage. Donaldson's point is that business succeeds when ethics is the primary value and not viewed as valuable because it is good for business. You may do well by doing good, but that's not the reason to do the right thing. If ethics is viewed only as a means to success, then self interest may induce you to act contrary to ethical precepts and values. Ethics is good for business when viewed as a long-range goal.

A 2005 study by researchers at the University of Maastricht and RSM Erasmus University in Rotterdam in Holland found that of the 60 major European businesses that failed, 63% collapsed due to reasons "related to economic problems and the risks of entrepreneurship," while 37% failed because of "fraudulent or unethical behavior by company managers and employees." Ethics training may help employees recognize moral problems but the key to dampening unethical behavior rests in creating a climate

within the organization that honors ethical conduct through the entire business structure. This requires that ethics become embedded in business thinking as much as profit and loss statements. (The critical role played by consumer advocates and government in fostering ethical business practices is discussed in the last chapter.)

Case Scenario

Super Cup, a medium sized food corporation that has been in business for more than two decades, is widely respected across the nation. Most of its products are designed for children. Its hot and cold cereals lead all other competitors; it packages nuts and yogurt snacks, bottles tropical fruit juices, and sells dried fruit and “healthy” candy that is supplemented with vitamins.

Many parents have come to rely upon Super Cup. They fondly remember Super Cup products from their own childhood. As caring parents, they have come to trust Super Cup to supply tasty and nutritious food for their children.

A multi-national corporation is making inroads against some of Super Cup’s products. Sales are down in most areas. Something needs to be done for Super Cup to keep their market share. The research and development sector has proposed that the best strategy is to focus on the candy lines. The marketing department agrees with this assessment. Super Cup is now developing an advertising strategy and is, for the first time, considering using television as a medium to position its new line. The argument is made that you need to appeal to children directly. It is more important to get to children than it is to reach parents.

When the principle partners of Super Cup meet to decide on the advertising campaign, Hari, one of the partners, raises the question of whether it is right to appeal directly to children. The argument is made that research shows that the most effective way to promote a children’s product is to pitch directly to them. Direct advertising to children creates an image and peer pressure that is very effective and difficult for parents to resist.

Hari says that this approach takes unfair advantage of children whose rational capacities aren't fully developed. Because it is manipulative he can't and won't support the proposal.

CHAPTER TWO

Why Decision Making Is Essential

Codes of Ethics and Ethical Judgments

In chapter one, you read about what it means to be an ethical person and about the three main schools of ethical theory. This information is helpful in a general way, but there is more to being ethical than a general orientation. While it is tempting to rely upon the law or a code of business ethics to settle moral issues, ethics is far more than a set of rules, precepts, or adages that can be printed on a card. Ethical problems are often complicated and require more than a formula to solve. The proper resolution of ethical problems requires judgment and good decision making.

You Can't Avoid Making Ethical Decisions

To understand the nature of ethics, let us consider the following scenario, one removed from everyday business. Take a typical morning where you wake up to begin your weekday. You wash, brush your teeth, have breakfast, listen to or read the news, then set off for work. You probably gave little thought about any of these actions, if you thought about them at all. For example, you walked from your bed without thinking about which foot to put in front of the other or whether to turn right or left on your way. You didn't have to make up your mind as to which brand of toothpaste to use; you grabbed what was there. Nor did you think of whether to brush up-and-down or sideways. Perhaps you gave some thought to whether you would have coffee or tea, but probably none as to whether

you would put your food on a plate or in a bowl. While there is a plethora of sources for daily news, yours, in all likelihood, came from the same source today as the day before.

Even before you begin work, you have taken many actions, although few were decisions. They were routines, habits, unthinking responses to the environment. Habits are behaviors that are done on a subconscious level. Some of your behavior was once a choice: this beverage, that brand of toothpaste. The choices reflect personal preferences. Other habits emerge from your upbringing and your culture. You never decided that eating with utensils was better than chopsticks or hands.

In many ways, personal decisions are unreflective, nearly unconscious and pre-packaged. No matter. Most have little impact on other people and therefore are not in the realm of ethics. And if your habits satisfy your needs and meet your desires, then they are fine. Some of what you routinely do, though, had a moral dimension, which you may or may not have recognized at the time you first expressed your preference. Does the toothpaste manufacturer provide adequate wages to its workers; did the farmers who picked the beans for your coffee receive a fair wage; does the means of transportation you take to work harm the environment?

Let's take a look at where your actions are judged as being good or bad. In places governed by strong social customs, someone is good because a social norm is followed. For example, a good wife takes care of household chores properly; a good farmer properly tends to the field; and a good silversmith makes beautiful jewelry. A good person performs sacrifices to the ancestors and fulfills religious and social requirements. Similarly, a good child carefully observes what it means to be a good adult and undergoes traditional rites of passage into adulthood. A good person, then, carries out the roles laid out by the group, the tribe, the religious tradition, and the laws.

In many places, the word "good" mainly refers to the fulfillment of roles and set duties. Little discretion is permitted. In fact, that which deviates from the norm is what is meant by "bad." Good is conforming to social conventions. The word is still used in this sense

today. For example, a good child listens. A good pilot is one who knows how to fly a plane well. It is what you probably mean when you say “good dog”; that is, the dog did what you told it to do. Even inanimate objects can be “good”; a good car is one that does what you expect of it.

But children aren’t dogs, adults are more than their roles, and a good pilot may be a very bad person. So, too, a good businessperson is more than one who simply follows the rules. What distinguishes the moral sense of good from other meanings of the word is that ethics implies judgment. Ethics is more than conformity and compliance. When there is a conflict between self-interest and the common good or when there is a conflict between two or more moral values, there must be judgment. Without informed judgment there is no ethics.

Infants, dogs, and cars aren’t culpable when they are “bad” because they lack the capacity to make judgments. For the same reason, there are circumstances that so severely limit a person’s ability to choose that we excuse his or her behavior. A striking example is the woman who harms another because a gun was held to her head. The law recognizes mitigating circumstances, as does ethics. In this example, a consequentialist would not consider the harm done to an innocent person as immoral, as more harm probably would have come out of refusing to act. One who follows the deontological approach, however, might insist that even here you had no right to harm an innocent person, even if your own life were at risk. You must tell the truth, no matter what. The virtue ethics approach looks at what effect telling a lie under such circumstances does to the overall ethical character of the person.

Some people would be tempted to say, “Tell me what to do and I’ll do it. Don’t bother me with all this thinking” While thinking can be a burden, avoiding ethical choices can be even more of a burden. If you follow social convention but the conventions themselves are morally questionable, you make the world a worse place. If you can’t distinguish between self-interest and the common good, you will either unwittingly harm yourself or others.

The nature of the choices we make in our daily habits are often individual and minor and have little to do with business ethics, but they are continuous with the rest of your decisions. Of course, you might object that choosing toothpaste isn't the same as choosing the moral thing. True enough. Which toothpaste to put on your brush is largely a personal and somewhat trivial matter. But thinking about morality exists on a continuum, and when you understand the nature of ethics in your daily routines, you are better able to conceptualize the ethical problems you face in your business life. Which employee to hire or fire is important. Whether to advertise directly to children on a TV show has significant moral implications.

Ethics Isn't the Same as the Law

[Florida's] Broward County's elected public defender didn't violate state ethics law when he hit up employees to help finance a golf tour for his daughter's boyfriend, a state commission ruled.

Alan Schreiber sent an e-mail to 167 employees at his office, asking them to help him raise \$50,000 for Craig Pawling to play in the National Golf Association Hooters Pro Golf Tour.

"I have set a \$250 minimum outside the office with a \$100 minimum within the office," Schreiber wrote in an e-mail sent from his courthouse computer, signing the e-mail: "The Boss Man."

The Florida Ethics Commission decided Wednesday there was no violation because "there is no office policy that prohibits personal use of the office e-mail system or solicitation among fellow employees," wrote commission lawyer James H. Peterson. The e-mails were "informational, non-coercive communications," he wrote.

Schreiber previously apologized and said he would return about \$2,000 he solicited from his employees.

Associated Press July 29, 2004

While codes of ethics are helpful, they are far from all that you need for ethical conduct.

On its face, this doesn't seem quite right. The easiest path to ethics, it would seem, is to find out what the right thing is and do it. Read your profession's code of ethics, study it, commit it to memory, and then follow the rules. Keep yourself informed about government ethics regulations and compliance rules. If you can pass the ethics exam and then live by the rules, you won't have any trouble. So there is a rush to produce codes of ethics for professionals in all fields and there are courses in ethics compliance offered both in business schools and in the workplace. In the midst of presidential scandals in the US in 2005, George W. Bush mandated the White House staff to take refresher courses in ethics. What was meant was that the staff would review ethics laws as they pertained to government employees.

Is the emphasis upon codes sufficient, or even desirable? Studies involving law school students demonstrate that the moral judgments of students worsens from the time they enter school until they graduate. The reason: they have substituted rule following for moral judgments. Ethics is more than preventing and punishing wrongs.

Having entered the field with the idealistic belief that the law served justice, the students leave having learned that legal ethics is no such thing. A look at the curricula in professional schools shows that in many ethics courses, morality is collapsed into codes of ethics and compliance regulations. The studies suggest that by equating professional ethics with rules found in codes, students are deflected from personal responsibility and ethical decision making. Ethics simply becomes yet another subject to be mastered through memorization. Professional ethics, properly understood, rests upon a philosophy that examines the fundamental question: What is this profession for? Whom does it serve? Who benefits, who is hurt?

One problem with a codes-based approach to ethics is the implication that morality can be contained within the framework of rules. While there are choices that truly are right or wrong, many ethical dilemmas aren't clear-cut. As pointed out by the Center for the Study of Ethics in the Professions, "Codes of ethics are created in response to actual or anticipated ethical conflicts. Considered in a vacuum, many codes of ethics would be

difficult to comprehend or interpret. It is only in the context of real life and real ethical ambiguity that the codes take on any meaning.” CSEP suggests that the best way to use a code of ethics is to apply it to a variety of situations and see the results. “It is from the back and forth evaluation of the codes and the cases that thoughtful moral judgements can best arise.”

Laws, ethical codes, and ethics may or may not be the same. While many illegal activities are unethical, not all are. Mohandas Gandhi’s protests, for example, were illegal from the British point of view, but history demonstrates that they were of the highest moral value. It was colonial laws themselves that were unethical, not the breaking of them. There is nothing ethical about following laws that are unjust, although it may not be prudent to break them.

Many laws are matters of convention, and there isn’t anything intrinsically ethical in them except that once society has agreed upon them, it is generally in everyone’s interest to follow them. Certain traffic laws are an example. It really makes not difference whether you drive on one side of the road or the other, except that once society has agreed which side it will be, violations create chaos and danger.

Some things are immoral but not illegal. If you mislead a friend for your own advantage, it is unethical but not illegal. Deceit in this situation is wrong because it violates the trust upon which friendship rests.

A code of ethics has the moral force of a professional association behind it. The law is a rule that has the force of government behind it. Both address matters that regulate behavior, but what is regulated isn’t necessarily ethical. And it is certain that what they regulate isn’t all that matters to an ethical person.

Jeffrey Smith sums up the argument against reliance upon codes of ethics by noting, “regulations are often general principles, and not specific rules . . . any regulatory scheme could adequately preempt morally questionable conduct *unless* those managers making

the relevant decisions are committed to the principles for their own sake.” A manager has to be morally responsible in order for ethical regulations to be moral guidelines. The spirit of the law must count at least as much as the letter.

“What can one expect from a business culture that relies on regulation to define the moral boundaries of action? The answer, it seems, is a constant inability of business to recognize and prevent immoral outcomes,” Smith writes.

Case 2.1: Pharmaceutical manufacturers and doctors

A pharmaceutical company invites doctors to a weekend educational seminar on the latest development of their drug for the treatment of Alzheimer’s Disease. The seminar is held at an internationally renowned health spa. All the doctors’ expenses are paid. In addition, doctors who attend will be sent the latest educational materials related to the illness.

The company says it is adhering to the marketing code of the International Federation of Pharmaceutical Manufacturers Association which states: 1. inappropriate financial or material benefits, including inappropriate hospitality, should not be offered to healthcare professionals to influence them in the prescription of pharmaceutical products; 2. promotional items of insignificant value, provided free of charge, are permissible as long as they are related to the healthcare provider's work and/or entail a benefit to patients; and 3. text or reference-books/information and other educational material may be given to health care providers if they serve a genuine educational function.

While a code of conduct adopted in 1990 by the American Medical Association suggests that doctors should not accept any gift worth more than \$100, more than fifty physicians receive an invitation to the spa. Many accept, reasoning that this is the most efficient way to get vital information for the latest treatment for their patients.

If you were the drug representative, do you think the offer is ethical? If you were a doctor, would you accept the offer?

Let’s explore why relying exclusively upon a code of ethics may not be particularly helpful by taking a step back from professional and business ethics and first look at religion and then at social conventions.

Religion

Religions have their code of morality, often found inscribed in scripture or in edicts handed down by religious authorities. Some religious people rely upon scripture or authority without thought. The revealed word, the word of authority, is enough for them and they believe that there is no need for interpretation and, therefore, nothing more can or should be said. The matter is settled for all time. Approached this way, a good person is defined as one who adheres to religious dictates without deviation. Questioning the rule is moot at best, dangerous at worst.

In the Grand Inquisitor section in Dostoevsky's novel *Brothers Karamazov* the question is asked, If God is dead, is everything permitted?

Religious and Ethical Guides

Jewish Bible

Thou shall not kill.

Ethical Principle

Never treat a person as a means only.

The injunction "Thou shall not kill" reflects a fundamental idea in ethics. The underlying principle is that of respect for people. People should not be used merely as ends for another purpose. Ethics is meant to improve human well-being, and this is not possible if people use violence against each other without just cause. The ultimate use of violence is the deliberate killing of another human being without justification.

The Grand Inquisitor's question implies that religion is essential to morality in the sense that God is the law giver, and without the majesty of the divine law people would live

without care or consideration, doing whatever they wanted, however they wanted.

Without religion standing behind ethics, morality would be no more than a preference, that is, discretionary and subjective, a matter of personal choice. This is a powerful and common argument.

But let's turn the Grand Inquisitor's question around and ask, "If God were alive, would you always know what to do?" The evidence of at least the last 2,000 years shows that religious laws are in need of constant interpretation. No matter how many additional rules are added, new situations arise and it is far from certain whether something conforms to or breaks the basic law. For example, let's consider a commandment: Thou shalt not kill. This seems pretty straightforward. Everyone knows what it means to kill. Or do we? The commandment doesn't apply to all killing, only to the killing of human beings. It doesn't even rule out all killing of human beings, as the Bible is full of heroes who lead the Israelites on the battlefield. So "do not kill" applies not to warfare but to murder in other settings. But, even then, it doesn't outlaw all killing, as the state engages in capital punishment.

Today the laws of most countries distinguish between degrees of murder. There is premeditated murder, murder in the course of committing another crime, murder of government officials, murder in a fit of passion, accidental murder, and murder in self-defense. Only the strictest pacifist understands the commandment not to kill to mean no taking of human life under any circumstances.

Religious laws also need interpretation because sacred texts often present rules that are morally problematic. The book of Leviticus, in the Jewish bible, allows a daughter to be sold into slavery, forbids contact with a woman while menstruating, and permits the killing of children who disrespect their parents. "Thou shalt not suffer a witch to live" led to the slaughter of thousands of people in Europe (mainly women) over a 200-year span. The Jewish and Christian bibles can be read in multiple ways, inspiring some to acts of charity, kindness, and justice, while giving others justification to engage in acts of sadomasochism. Charity and justice are ethical goods; slaughter of innocents is a moral

abomination. Both examples are contained within the covers of one book. When we make judgments about the uses and misuses of religious laws we employ an ethical standard outside the religious law itself.

Plato's conversation with Euthyphro focuses on the question of which is prior, ethics or religious rules. Plato convincingly argues that the gods are good because they do what is good. If the gods demand wanton killing, you would say that they are bad or false gods. A god that demands the torture of children can't be a god worth believing in. Religion may be a strong motivator to be ethical, and it frequently provides guidelines regarding ethical values, virtues, and principles. However, you still need to use your judgment and may employ any one of the three schools of ethics in doing so.

Codes of ethics, like religious ethics, are useful as a framework, a starting place, but they are not all there is to professional ethics any more than religious laws are all there is to religion. You can't suspend your own judgment and rely upon the letter of the law whether issuing from legislators' pens or heaven. Laws need interpretation in novel situations, and you must employ your best judgment when you find a conflict between two or more principles or values.

Social Conventions

Society has many rules about how to behave, but not all of the social expectations are in the realm of morality. We need an independent way of evaluating which conventions are ethical and which are not. Just as ethics is independent of religious rules, so it is independent of social convention.

The work of Larry Nucci, a psychologist at the University of Illinois at Chicago, is helpful in understanding the distinction between social convention and morality. In his book *Education in the Moral Domain*, Nucci posits that there are three areas that encompass social behavior: the personal domain, the domain of social conventions, and the moral domain. The first area is subjective in that individuals have preferences for one

thing or another that has no objective standard of measurement. For example, there is nothing objectively better about liking sofas over armchairs. The second domain is arbitrary in that the rules could have been different and it wouldn't make any difference, such as driving on the left side of the road instead of the right.

Case 2.2: At \$400 billion, the pharmaceutical industry is one of the world's most profitable. Much of its success depends upon physicians using newly developed drugs. To that end, companies spend more than \$11 billion each year to promote and market their drugs, an estimate of \$8,000 to \$11,000 per American physician.

Much of drug promotion is done directly with doctors, and it is effective. A Journal of the American Medical Association (JAMA) article reported that physicians tend to prescribe fewer generic drugs and more new, expensive medications when they have a relationship with a drug company.

Questions arise as to whether doctors are also influenced to prescribe drugs that patients don't need. Doctors who test other companies' drugs or talk favorably about alternatives sometimes find themselves taken off the list of invitees to drug company sponsored seminars.

It is difficult for doctors to keep abreast of new pharmaceutical developments, and seminars conducted by drug companies serve a useful purpose. But they also distort doctor-patient relationships and lead doctors to prescribe unneeded drugs or expensive drugs. The way in which drugs are promoted is part of today's social convention.

Do you think that it is ethical? If not, why not?

Do you think there is a more ethical system?

Nucci finds that children instinctively distinguish between these three domains. Children identify morality with those actions that have an intrinsic effect on the welfare of others. They understand that harming another as being wrong and acting fairly as being right. No one needs to tell them this is the case; they know it as a matter of course. The inherent nature of morality (defined in this narrow sense) is underscored by the finding that children everywhere make these same distinctions and do so without rules telling that it is so. Nucci's conclusion is that morality is independent of social rules regarding proper

behavior.

Drawing the difference between these two domains—the moral and the conventional—allows us to better understand the ways in which children comprehend the world and how they understand their own actions. At the same time, the distinction helps to reveal the underlying and universal nature of morality. Nucci's research indicates that concepts of human welfare, fairness, and rights are inherent, not socially conditioned or constructed. In both domains, some behaviors are deemed "right" and others "wrong."

Social Conventions: Governed by Rule

Nucci gives this example, taken from an interview with a four-year-old girl. In the first interview, the girl is operating in the area of social conventions. Something is wrong because there is a rule that says it is wrong. Without the rule, it would no longer be wrong.

Did you see what just happened? *Yes. They were noisy.*
Is that something you are supposed to do or not supposed to do? *Not do.*
Is there a rule about that? *Yes. We have to be quiet.*
What if there were no rules, would it be all right to do then? *Yes.*
Why? *Because there is no rule.*

Contrast the interview, which is an illustration of thinking in the social domain, with the one that follows.

Did you see what happened? *Yes. They were playing and John hit him too hard.*
Is that something you are supposed to do or not supposed to do? *Not so hard to hurt.*
Is there a rule about that? *Yes.*
What is the rule? *You're not to hit hard.*
What if there were no rules about hitting hard, would it be all right to do then? *No.*
Why not? *Because he could get hurt and start to cry.*

Here the girl is operating in the moral domain. There is no rule that told her it is wrong to hit hard. It is wrong because hurting others is wrong in and of itself. Without a rule, it would still be wrong.

Not all schools require the same degree of quiet from their pupils. In some schools, quiet is a sign of respect. In other schools, it is taken as a sign of a lack of creativity. There are also some families that are vocal, boisterous, and demonstrative, while others are verbally restrained, orderly, and proper. In both cases, acceptable behavior is governed by rules and expectations

On the other hand, hitting hard is not acceptable whether or not there are rules governing the action. There are an infinite number of ways that people can determine how to make a social system function; this explains the cultural differences that we see. But since we are all human, there are harms and benefits that are universal. Being punched hurts wherever you live, whereas a child calling an adult by his or her first name offends only some people. Being treated unfairly causes resentment everywhere, whereas belching when eating is socially acceptable only in some cultures.

The Application of Ethics to Social Conventions

Children distinguish between rules that are in the moral domain and those that are social conventions. They identify moral issues as those having to do with welfare and physical harm (pushing, shoving, hitting, killing), psychological harm (hurting others' feelings, ridiculing, name calling), fairness and rights (stealing, breaking promises, not sharing, destroying others' property), and positive behaviors (helping another in need, sharing, donating to a charity).

Distinguishing Social Convention from Ethical Principle

Social Convention

We look to proper behavior as prescribed by norms and the expectations of authority. A rule is required, otherwise it is not wrong. For example, "Don't talk too loud in the library!"

Ethical Principle

We look to human welfare, fairness, and the rights of others. A rule is not required, because it is inherently wrong. For example, "Don't hit too hard."

In justifying moral behavior, the criteria refer to the benefit or harm or the fairness or unfairness that the action would cause. For conventional issues, they turn to the norms and expectations of authority. What emerges from the work of cognitive psychologists is that, at young ages, children know the difference between social convention and morality, and they know it without being taught. You might say that they understand very well the point made by Socrates in his conversation with Euthyphro: Social conventions don't make for morality. It is morality that judges social conventions.

Case 2.3: Non-profit organizations are subject to the same pressures as pharmaceutical companies. Colleges need enrollments to meet their costs, so some high school guidance counselors and their families are invited to vacation weekends, all expenses paid. "If we're not doing the wining and the dining, we're falling behind [in recruiting potential students]," according to the vice-president for enrollment at Washington and Jefferson College. The University of California took more than a dozen high school guidance counselors to the Orange Bowl in 2003, to create a "lifetime of memories."

New York Times, July 8, 2004

Religious commandments, social conventions, and codes of conduct can assist you in

making moral decisions, but they are no substitute for ethical judgments. They do not pre-empt the need to make ethical decisions that have no obvious answers or present conflicts in ethical values. Codes and ethical regulations can only suggest a course of action, not mandate a good, moral, and just one.

Case Scenario

Asha is a student at a prestigious business school. One day her best friend, Andrea, is in their professor's office for advisement and notices the final exam that will be given the next day in their class. While the professor is out of the room, Andrea looks over the questions.

Later that day Andrea offers to tell Asha the questions she saw. Asha refuses to listen. Andrea says that she is foolish. It will only help her on the exam if she knew the questions in advance. Asha tries to convince Andrea to tell their professor what had happened, but Andrea refuses. She asks Asha to be quiet about the incident, and Asha acquiesces to her friend's wish.

Andrea was right about the exam grades. Asha didn't do well on the final; Andrea had one of the highest grades in the class. With the B+ she received as a final grade, Asha's average at graduation wasn't good enough to get a job interview at the city's most prestigious telecommunications company.

CHAPTER THREE

Making Ethical Decisions

It All Depends

Some argue that the process of choosing between various courses of action is an interesting but useless exercise. Something is either right or wrong. Honesty is honesty, loyalty is loyalty, fair dealing is fair dealing. If I give you my word, it is as good as gold. Once you deviate from the standard, the argument continues, Who is to say that one choice is better than another choice?

“But,” the relativist responds, “nothing is right all the time. Some things are right for Americans, but wrong for Indians. I may think that something is wrong, but who am I to say that it’s wrong for you? And you have to grant the same thing to me. Whether something is right or wrong depends upon circumstances.”

“This is just an excuse to do what you want,” the absolutist continues. “It’s a rationalization.”

“Well,” the relativist replies, “that all depends.”

A relativist claims that no value is absolute. Values make sense only when compared to something else; they are valuable only in relation to something else. Take an example from the field of economics. An object has a value only because there are people who want it. There are many things in this world that are worthless because there is no

demand for them. You can't even give them away. The value or cost of something is determined by supply and demand. If the object is in great demand and the quantity is limited, the object is costly; but if the demand is limited and the supply is plentiful, its price is low. So, for example, if tomorrow no one wanted diamonds, the gem would become worthless. Its value is what it is only in relation to how much people, i.e., economic value is relative.

In terms of morality, the doctrine maintains that there is nothing that is good or bad in and of itself. Ethical relativism claims nothing can be viewed on its own or without context. Each is viewed against the other, rather than against one unchanging standard.

Relativism is often presented as the enemy of moral standards. If morality isn't a fixed point but ever-shifting, then no one knows what he or she is obligated to do. They can't possibly know since no moral standard exists in the first place. What can you expect from the people at the defunct accounting giant Arthur Andersen when there are no absolute standards of right and wrong? Arthur Anderson made up the rules as it went along, always changing to suit the company and its clients. We see where such moral slipperiness leads. Ethical relativism allows for, or at least excuses, all behavior, its critics charge. If any value can be as "good" as any other, then nothing can be better or worse than any other value.

Ethics requires that you say that one thing is better than another, that one thing is right and another is wrong. Morality is choosing between various courses of action and evaluating those choices as good or bad, right or wrong. To its critics, ethical relativism is an empty notion devoid of content. It is, they say, arbitrary and capricious. Moral clarity is straightforward and brooks no exceptions. Relativism is full of "yes, buts" or "it all depends." Ethics must be clear and it must be without exception. Anything less is rationalization. Critics use two metaphors to make their point. One is the camel's nose under the tent; this says that once you commit a small indiscretion, a bigger problem is sure to follow. Keep the camel's nose out, otherwise you will wind up with the entire animal sharing your carpet. The second metaphor is the slippery slope. This says that

once you lower your standards and take the first step into corruption, you begin a greasy slide into the pit of baseness.

The critics are right—but not completely.

Broadly speaking, relativism contends that ethical rules are drawn from human experience and that what is right or wrong is dependent upon particular times and places. At this point relativists can fall into one of two camps, the *cultural* relativist or the *individual* relativist. The cultural relativist believes that whether something is right or wrong depends upon what our culture, religion or government tells us. There are rules regarding morality, and the rules are firm, but those rules differ from place to place. Relativism assumes that no culture's ethical values are inherently superior to any other.

The essential claim of the cultural relativist is that moral norms are determined by the society in which you live. There is no claim to moral values independent of or external to society. Morality is a cultural artifact, much like the language that you speak. You may think Spanish is better than Urdu, but that's because you were brought up speaking Spanish. Ethics is as arbitrary as the language you speak or whether you use a knife or chopsticks.

The cultural relativist doesn't deny the importance of morality. Society can no more do without moral standards than it can do without language. The relativists' point, however, is that each society creates values and norms that define what is right and wrong. Morality is an internal regulation and cannot be compared to the morality of any other society. Just as there is no way to settle which of two languages is better, no moral system is better than another, they claim. But, also, just as one language is as good as any other, within any given language there are grammatical and spelling rules. Morality is the social, grammatical, and spelling rules that allow a group of people to get along with others in the group.

As a cultural relativist you look to society to discover right or wrong, good or bad. If you

choose to do business abroad, you adopt the ethical norms of that society, even if they are contrary to the ethical norms of your home. You are acting ethically by doing what is proper within that society. A cultural relativist from Canada doing business in China, for example, wouldn't necessarily be troubled by going through channels that in Canada would be unacceptable, for, as Shaomin Li explains, personal connections and informal networks are more important than legal claims in the People's Republic of China.

Relativism and Judgment

Cultural Relativism

Ethical rules are made by human beings, and what is right and wrong is dependent upon time and place (i.e. culture, government, religion).

Morality is a cultural artifact, having no independent existence.

Individual Relativism

It is up to each individual to decide what is right or wrong.

While society creates norms and values, that in itself does not make these norms and values right or wrong; only the individual can do that.

Good Judgment

Good judgment provides the limits to cultural and individual relativism.

Look at all the facts. What "story" do the facts tell? Are there extenuating circumstances?

The *individual* relativist sets aside all cultural claims and contends that it isn't society, religion, or government that determines right or wrong. It is the individual. Society may claim to be the source of morality, but this is far from the case. Moral rules are often nothing more than a reflection of the self-interest of those who make the rules. The only true guide to morality is personal conscience. Moral norms, therefore, are personal. There is nothing objective about them. This is often expressed as "It is right if I feel it is right." This position also leads to unwillingness to impose your own values on another. It is right for me, but who am I to say it is right for you? So you may evaluate your own behavior by moral standards that you have derived for yourself, but you are reluctant to impose those standards on anyone else.

The individual relativist maintains that while society may in fact create norms and values, that doesn't make them right. Different societies have different values and what is right in one place may be wrong in another. Since where you are born is a matter of chance, you are no more bound by one set of rules than by another. Therefore, the only way to know which of the two ways is correct is to decide for yourself, using a standard that you yourself have created. If you take a virtue approach to ethics, you may not go along with what others think is right because it violates your own integrity, or you may decide to accept another's standards because you say that you have no right to impose your values on others.

Case 3.1: Cultural differences

John owns an importing/exporting firm that deals with machine parts. He has never sold parts in this particular country before and is now making a visit to finalize a major sale.

After several hard bargaining sessions, everything seems to be set. He is invited out to dinner before signing the contract the next day. Over a toast made in his honor, the host brings up the fact that he has never been out of his country, and he and his wife would very much look forward to receiving plane tickets to visit John at his home. The message seems plain to John: without the tickets there is no deal.

In business for many years, John has never encountered anything like this before. John sees the request as a form of extortion. He postpones closing the deal until he talks to others who have done business in that country before. He is told that this is standard business practice. It isn't a bribe but gift.

If you were John, what would you do?

Whether relativism is a viable option for the ethically conscious businessperson is a real question in today's world. Globalization brings people from different cultures together in a way never experienced before. Increasingly companies operate across borders and managers have to learn to read cultural cues. In Saudi Arabia people stand very close to each other when they speak while in Scandinavia they stand far apart; in Japan guests are

treated to live shrimp, and in parts of Africa termites are a delicacy. These are social conventions that are culturally determined. The more difficult issues arise when there are different conventions that impinge upon morality. Is the requirement that a woman wear head coverings in public a cultural right or a violation of the human rights of woman? Is accepting young children weaving rugs instead of going to school accepting a family's right to raise their children as they see fit, or does it violate the right of the young to receive an education?

A study of Australian managers in the fields of mining, textiles, and information technology found that the most critical ethical dilemmas they faced when doing business in developing countries involved bribery, breach of contract, abuse of human rights, and loss of confidentiality, with bribery being the most prevalent dilemma. Managers identified the request for money when negotiating business contracts or during the tendering process as the most frequent form of bribery. Other aspects of bribery included entertainment, gifts, prostitution, and junkets. Managers often did not know which requests made of them were instances of outright corruption and which were matters of cultural differences.

Ethics and National Reputation

Bribery is a way of life in some countries. The Rwenzori Highland Tea Company Limited, Uganda's largest producer of black tea, recognizes how such practices are bad for business. As a result it has made public its business integrity policy.

"Our Business Integrity Policy recognises that we operate in an environment where business practices are often dubious and unethical. RHTC categorically disassociates itself from any such practices and actively lobbies for a more open and transparent business environment in Uganda."

Strengths and Weaknesses

While relativism has its strengths (it is tolerant of different points of view), its primary weakness is that it reduces ethics either to social conventions or to personal preferences. Social conventions aren't identical to ethics. Sometimes the two may be at odds. If there were no distinction between convention and morality, anything done by a group would be ethical if that's how the group defined morality for itself. If social convention and morality were the same, long-standing discrimination against a group of people by the dominant group would be defined as ethical. Genocide would be moral because it was an expression of the values of those ordering the murders. But certainly those who risk their lives to save victims of oppression are moral heroes while the executioners are rightly condemned for having committed crimes against humanity. Asserting something is right doesn't make it right. Ethics is about how people get along with each other fairly. Without a standard that is beyond your own self, if things are fair it is only a matter of luck.

Case 3.2: Most Australian managers involved in international business operations refused to participate in activities they perceived violated their own ethical standards. They declined business, abstained from doing business completely in some countries, and even closed down existing operations.

A smaller number of managers took a relativist approach. They accept the norms of the country in which they did business. However, they mainly justified their actions on financial, business terms and felt uneasy about their ethical choices.

Some managers sought intervention from independent arbitrators, such as the World Trade Organization and Swiss General Surveillance.

Morality exists because humans are social beings and are always in relation to one another. Therefore, ethics is about relationships and all good relations rest on dialogue. It follows that morality is a type of respectful conversation, one that exchanges reasons, opinions, beliefs, and feelings. Without reason, there is no conversation. Without conversation, there is only grunting, intimidation, and force. In other words, without

reason there is no ethical judgment, only the rightness that comes from might.

Good reasons are coherent, but they must also rest upon good evidence. The facts must be right. But what are facts in ethics? There are no moral "facts" in the way that we understand facts. We know the facts of the world because they can be detected empirically. We can touch, smell, hear, taste, or see them, either through our senses directly, or through the mechanical extension of our senses. This is the world of the "is." But philosophers recognize that "is-ness" doesn't imply "ought-ness." In other words, just because something exists, that doesn't mean that it ought to be that way. This is why a scientist, who knows a great deal about the material world, isn't necessarily a good ethical guide. It is the difference between knowledge and wisdom.

As a Matter of Fact

Let's take a look at material facts and then compare them to moral facts. Take, for example, the fact that Mumbai is a city along the Arabian Sea. You are free to disagree with these two facts but you would be wrong. A less permanent fact is Wankhede Stadium, in Mumbai. The building is likely to crumble before the city disappears. Even less certain as a fact is a team called the Mumbai Cricket. You know what the city is; you know what the stadium is. But what exactly is the cricket club? Certainly not the players. They change from season to season, sometimes even from day to day. Yet the newspapers report the team's progress, and you know there is such an entity.

Ethical facts are much like facts about an organized team. You can't make any claim you want about Mumbai Cricket and be right. Your opinions must be governed by something real. Similarly, ethics is rooted in the reality of human nature, but you can't find facts about morality in the same way that you can about material objects. Ethics is a way of feeling, thinking, choosing, and acting. Because morality is in motion, it can't be captured by rules that are completely fixed in time and place. Moral facts are more like facts about Mumbai Cricket. You know where they play and who is on the roster. But tomorrow those same players may be elsewhere, and new ones may have taken their

place. Still, it is the same team. Even though you can't pin down facts about Mumbai Cricket in the same way you can about the city or the stadium, you know there is a cricket team and that you can agree as to what and who they are.

Moral facts, too, are based in reality, but that reality is not material but relational. So while there are ethical facts, those facts take on their existence when placed in the context of human relations. Morality, then, exists in the realm that is neither relativism nor dogmatism. The Center for the Study of Ethics in the Professions explains, "Without guiding principles, case studies are difficult to evaluate and analyze; without context, codes of ethics are incomprehensible." Ethical principles and values assume their reality in the context of life situations.

In his book, *The Elements of Moral Philosophy*, James Rachels writes, "a moral judgment is true if it is backed by better reasons than the alternative." Bad arguments are bad arguments no matter what the subject matter. Good arguments are coherent, cogent, and fact based.

Facts are important to ethics not because there are "ethical facts," but because ethical judgments are based on good judgment, which in turn takes into consideration all facts important to the case.

This isn't as hypothetical as it might seem. In court cases, expert testimony is presented in order to determine the facts. A person was murdered with a six-inch knife; the thrust was downward; the person was dead for at least six hours before the police arrived, and so forth. Again, an example from the court of law: Expert testimony is unanimous that the suspect suffers from clinical depression and has the mental capacity of a five-year old. Therefore, if the suspect confesses to having plotted to murder the victim, we have to wonder about the soundness of the confession. Knowing a person's psychological state and mental capacity are critical in determining not whether the person committed the act, but if the individual should be held culpable for his or her actions. Ignorance may not be an excuse for the law, but it is one of many mitigating facts in determining guilt or

innocence, right or wrong, good or bad. It is often impossible to know what to do without at least some facts. Seldom can you evaluate a moral act without knowing something about the context. Generally speaking, the more complex the ethical issue, the more important it is to get as many facts as you can.

Using the Steps of Ethical Decision Making

The first step in making an ethical decision is to gather the facts. Try to be as neutral as possible in describing those facts, bearing in mind how inclined we all are to distorting information to benefit ourselves, so you have a tendency to overlook, distort, or stretch the facts to suit ourselves. But if the facts are wrong to begin with, our moral judgment is going to be clouded and lead us down the wrong path.

Steps to Making an Ethical Decision

Making an ethical decision isn't a linear process. You may cycle through the steps many times before reaching your final decision.

Step 1

Gather and interpret the facts.

- *Be as neutral as possible.
- *Fill in the blanks with reasonable assumptions.
- *Interpret the facts. What do the facts mean to you?
- *What do the facts mean to the person involved?

Step 2

Make a "best" guess or prediction.

- *Base this guess on facts and interpretations.
- *Predict the probable outcome.
- *Select the action that will create the most good or avoid most harm.

Step 3

Identify your feelings.

- *Explore your feelings.
- *Identify what your reason may have overlooked.

Step 4

Evaluate the impact your decision will have on your self-identity.

*Will you be able live with yourself?

*Explore your feelings: pride, shame, guilt, etc.

Step 5

Explain to others.

*Tell others the reasons for your decision.

*Open your decision to the scrutiny of others.

It is impossible to know all the facts about a situation. Consider how difficult it is to know the subject to which you are closest—yourself. It is amazing how others are able to point out things that you never see about yourself. So, imagine how much more difficult it is to really know another person or an event about which you don't have direct knowledge. Yet, you have to fill in the blanks as best you can when confronted with an ethical problem. You have to rely upon reasonable assumptions. For example, you may not know all the details about conditions in a factory, but you can make an educated guess based upon what we know about factories in general and what you know about the area in which the plant is located.

Facts by themselves mean little; they need interpretation. You want to understand what such facts mean in light of your own values, but you also want to understand what the facts mean to the other people involved. Consider the following situation. Joseph is married to Sabrina, but he is sleeping with Elizabeth. An important value for you may be sexual fidelity, but if Joseph lives in a polygamous society, you need to understand what his sleeping with Elizabeth means to Sabrina. It may mean something quite different from what you first supposed.

(Not) knowing cultural beliefs

The American Peace Corps training gave my wife and me a lot of information about East African culture. We learned about not using the left hand to give

something to a person. On a train from Nairobi to Mombasa, a porter refused a tip until I switched the money to my right hand. We also remembered the admonition not to take photos of people. So we thought we were in for trouble when an old man herding his cattle stopped us. Lyn quickly put the camera behind her back.

"Was that a camera?" he asked. "Yes. But we didn't take your picture."

"I *want* you to take my picture," he said. "I want you to send it to your home so people there could see what Africans really look like."

It turned out that where we lived in Kenya there was no taboo against taking snapshots of people.

Step two is to make a prediction, a guess about the future. A prediction is based on facts that are relevant to the situation at hand: If you do this, you increase your chances of reaching the desired results. You can never know the future for certain, but some things are more probable than others. For example, if you hit someone, you are more likely to get hit back than if you smiled at that person, everything else being equal. Of course, there is always an element of uncertainty. The person you smiled at may be paranoid, for example. Yet, you have to take a guess and select the action that you think is most likely to cause good or most likely to avoid harm.

What are the facts?

Janet and Phil came to see me in my capacity as a marriage therapist. They sat on a couch across from me as Janet complained about Phil's lack of affection.

"You never touch me," she said.

"How can you say that?" he defended himself. "I touch you all the time."

"No, you don't," Janet persisted.

I interrupted the disagreement by asking, "Janet, is Phil touching you now?"

"No, of course not."

"Phil," I asked, "are you touching Janet now?"

"Of course I am," he said.

I said, "What I see is Phil's arm touching your shoulder. Isn't it?"

"I know that," Janet said. "But that's not what I mean by touching. Touching has to be more than that."

She went on to explain what she meant by being touched. Phil listened, and, over the next several months, began to touch Janet in ways that she found satisfying.

By extension, you can see how accusations of sexual misconduct in the workplace can become confusing and complex. The point is that you have to get behind the words to reach for the meaning they have for the parties involved.

Step three is to identify your feelings. Some people call it intuition; some call it conscience. When our feelings have been cultivated by compassion, they sometimes highlight what our rational and conscious minds have overlooked. Feelings are one way to check to see whether you are rationalizing.

In step four, ask whether you could live with yourself if you made that particular choice. Would you be willing to let other people know what you did? Would you feel worse or better about yourself? Would you feel guilty or ashamed? Or would you feel proud and wish that others would do the same under similar circumstances? Would you want everyone to act the way you did?

Finally, in step five you should be able to explain your reasons to other people and be willing to engage with others in a moral conversation about your choice. This is similar to the method scientists use as a way of advancing knowledge. They develop a hypothesis, then test it, reach a conclusion, and finally submit it to others in their field for scrutiny. You should be willing to do no less with your ethical judgments. Unlike science, however, the field of morality isn't confined to higher study. Like it or not, you are engaged in many moral situations in business. While scientists advance knowledge about the world by using the scientific method, you advance your moral knowledge by

employing a sound process in making ethical judgments.

Implicit forms of bias

More African-Americans than whites are denied mortgage applications in America due to in-group favoritism because the white loan officer feels more lenient to white applicants than African-Americans.

Many employees honestly believe they contribute more to the organization they work for than they objectively do. When they learn that others get larger pay increases or bonuses than they do, they are often resentful. This leads to reduced commitment and performance.

A portion of brokerage house analysts' pay is based on their company's revenues. Analysts have an incentive to keep their relationship with clients even when it is in the client's best interest to sell. During the stock market's steep decline in 2000, 99% of all analysts surveyed recommended that their clients buy or hold.

Did their self-interest unintentionally bias their recommendations?

You've followed the steps in ethical decision making and you have good will. So you think you are acting morally? Maybe. There is still the part of you that is hidden from view. Researchers Banaji, Bazerman and Chugh, from Harvard University, argue that there are implicit forms of bias—often cultural, but sometimes personal—that lead you to choices that are less than ethical. These reasons are as follows 1. you favor your group over another (you give the benefit of the doubt to those you know); 2. you overrate the contributions that you or your group makes relative to those of others; and 3. you make unsound and unethical recommendations that favor yourself or your group when faced with a conflict of interest.

Doing the Best You Can with What You Know

Having the right information is important in making ethical decisions. If you don't have the facts right, it is difficult to make a good decision. It is also important to have as much information as we can reasonably gather. Finally, since you can't know everything, there

comes a point when you must choose. This leads you to make a “good enough” choice.

What remains unresolved at this point is whether there are fundamental, irreducible ethical touchstones. For example, children know that hitting hard isn't right. Is this true of children everywhere? Are there other ethical values that you as a businessperson can use wherever you do business?

Case Scenario

The Co-operative Bank, in England, reported that it turned away business worth £6.6 million during 2003 because of its ethical stance. The Manchester-based group said the value of business lost because it refused to provide banking services to certain companies was nearly 58 percent higher than a year earlier. It said it lost £709,500 by refusing to deal with firms that supply arms to oppressive regimes, up from £242,000 the year before, while the cost of turning away business for animal welfare reasons jumped to £556,500 from £158,000. It also turned down a number of polluting companies.

CHAPTER FOUR

Ethics, Business and Human Nature

Self-interest

Several ideas threaten to undermine the entire notion of ethics. They fall under the category called determinism. Determinism maintains that every action is the inevitable consequence of a prior state of affairs. If this is true that forces beyond your control determine your decisions and your behavior, then morality is an illusion. Ethics assumes the ability to choose. You may enjoy reading this book; it may be interesting and entertaining, but it is essentially useless as a moral guide if everything is determined.

One form of determinism, psychological egoism, is that human beings are selfish and will do what they need to do to survive. And once having survived, they will continue to fulfill their ever-expanding list of desires. The only difference between those on the brink of survival and those who are more prosperous is that the selfishness of the latter gets covered over with layers of sophistication and rationalization. Selfishness and the instinct for survival are always present, just harder to see sometimes. But you will find it once you look beneath the surface. Everything is reducible to self-interest and nothing more. Everything you do is to serve your ego. So behind all your actions stands self-interest. All that you do is reducible solely to selfishness. This doctrine excludes the possibility of moral choice, i.e., taking the interests of others into consideration. Altruism, other-centeredness, selflessness, pro-social behavior, and empathy are impossibilities. When you scratch the surface of your so-called concern for others, according to psychological egoism, you will find that it's just a matter of doing what benefits you.

The philosophical counterpart to this psychological theory is ethical egoism. No longer a description of behavior, it is a prescription, because it tells you how you ought to act. Ethical egoism doesn't deny the possibility of acting contrary to one's own interest, as does psychological egoism. It simply thinks that it is unethical to do so. What makes for right action, according to ethical egoism, is that the behavior maximizes a person's self-interest. This sets it apart from the consequentialist, deontological, and virtue approaches, all of which give weight to the interests of others. There is only one interest as far as ethical egoists are concerned, and that interest is oneself. Unlike psychological egoism, which denies choice, ethical egoism admits its possibility. From the perspective of ethical egoism the moral choice must always be the one that increases your own interests.

Both forms of egoism have an appeal to the businessperson who must survive in a competitive environment. If all motivation is about stoking the ego, as psychological egoism contends, then efforts at morality are beside the point. It is a waste of time and money, neither of which is desirable in a business. Furthermore, no matter how selfish your behavior, there is no condemnation attached. Selfishness is the way of the world. Competition is the core of human nature. Everyone is selfish and every action can be explained by the need for the ego to realize itself. If psychological egoism is a valid description of human beings as they truly are, further ethical reflection is silly since people can no more eliminate selfish behavior than they can demand that people walk on water.

Ethical egoism, the philosophical ally, justifies the pursuit of success not only as the most important goal but essentially the only morally legitimate goal. The right thing is that which benefits you. Good is that which brings the biggest payoff to you. If others benefit from this, it is merely an unexpected bonus. The ethical good is achieved through the pursuit of selfishness, and the general welfare is served because the fittest survive. Gordon Gecko, in the movie *Wall Street* took this view to its extreme and proclaimed "Greed is good."

No doubt a great deal of business turns on and is motivated by self-interest. So are the egoists right? Is morality a psychological impossibility? Is there just one ethical principle—take care of yourself?

Nothing but self-interest?

Thomas Hobbes, the 17th century British philosopher, was a psychological egoist. When resources are scarce, Hobbes writes, our animal needs dominate reason, thereby leading to destructive, self-seeking behavior. This inevitably leads to conflict with others. In the state of nature, that time before the establishment of the political state, there was a war of all against all. Since natural resources are limited and scarcity is commonplace, Hobbes' solution to this undesirable condition was the establishment of an absolute political authority, one that has the power to enforce its rule over all for the sake of peace and the good of everyone. For our own sakes, we ought to submit to an authority that has the power to enforce the conditions for a decent life that we cannot otherwise bring about. Hobbes' view is that egoism—our given natures—necessitates absolute authority, for without it there is only anarchy, war, and misery. People give up their natural freedom in order to gain peace and security.

The Scottish philosopher David Hume (1711-1776) viewed human nature differently. People *are* selfish, Hume conceded, but not entirely so. The egoist drawn by Hobbes is concerned only with the self. Hume sees something in addition. People are also naturally drawn to one another. Through this sentiment comes family, and from family larger social units such as clans, tribes, and various forms of community. Something more than selfishness is at work. We also have the capacity for benevolence, or, if you prefer, compassion. It is upon these pro-social, positive moral sentiments that we establish our ethics.

Adam Smith (1723-1790), a moral philosopher as much as an economist, maintained that unfettered capitalism created the best society. The pursuit of one's self-interest in the marketplace led to the creation of wealth and, at the same time, allowed for personal

freedom. In *The Wealth of Nations*, Smith says of the human being, “By pursuing his own interests he frequently promotes that of the society more than when he intends to promote it.” Often interpreted as an endorsement of indifference towards others and ethics, Smith had something else in mind. While selfishness is ever present, so are other sentiments, emotions that move us away from ourselves and towards others. “How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it,” he writes in *Theory of Moral Sentiments*. Far from ignoring ethics, Smith presupposes the desire to take the interests of others into account. Smith is assured that capitalism is good because moral feelings are part of human nature. Only by paying attention to the moral emotions will capitalism work to everyone’s benefit.

Case 4.1: A job opening

Sri worked as an administrator in a corporation for many years. She didn’t enjoy her work, although she did it well. She was bored with the lack of challenges both at work and in the suburbs where the company was located.

A friend recommended her to a successful family-owned hardware shop in the city. While she had never worked for a retail business before and knew nothing about hardware, she decided to apply.

Rad, the owner liked Sri a great deal and agreed to hire her, nearly doubling her salary. While he had sufficient help, he saw something in Sri that made him think that there was a good future for her, if she were willing to learn.

She gave the appropriate notice at the corporation and a month later began her new job.

Did Rad do the right thing?

Capitalism, in Smith’s view, contributes to the common good because people in business are ethical and are, by nature, as much other-centered as self-centered. So when a person

strives to increase his or her own wealth, he or she will act in an ethical fashion. The conscientious businessperson doesn't need to go out of the way to help others; societal benefit simply follows from the decisions from someone who is moral at the core. What's more, the businessperson will be kept on the moral path because it matters what others think of him.

From Smith's point of view, the unintended consequences that follow from the pursuit of our individual good come about because of our inclination to sympathize with others and to judge ourselves by what we think others will think of us. We make decisions by imagining how others feel about our behavior. Smith writes, "We endeavour to examine our own conduct as we imagine any other fair and impartial spectator would examine it." The way you determine whether your actions are legitimate is by seeing through someone else's eyes. You are asked to judge your actions impartially, not selfishly. Smith believed that this was both possible and desirable. In fact, he thought it was a necessary condition for capitalism. Far from being indifferent to the role morality plays in business, Smith took it as a necessary condition. Good business rests upon good people. In this way, morality must be prior to the marketplace. Business is good for society if and only if those engaged in business are moral.

Determinism and Free Will

No longer left only to theologians and philosophers to debate, determinism has recently been examined by scientists, subjecting human behavior to the studies of sociology, psychology, anthropology, and biology. Genetics is the latest attempt to explain the basis of human nature. What do these disciplines say about free choice? Social psychologists make a strong case that people are vulnerable to group pressure. Cognitive scientists argue that much of our thinking isn't under our conscious control. Sociologists point out that the social environment limits our choices. Anthropologists show that we are creatures of culture. And biologists make clear that our genes play a huge role in our abilities and our desires.

Taken all together, the social and physical sciences present a bleak case for free will. What with social pressure, biological limitations, and genetic matters, it seems that much of what we do isn't under our control. But as was noted before, ethics rests upon the ability to choose. A key concept in any school of moral philosophy is that we are morally responsible over only those things that we can control. If you can't control what you do, you can't be responsible. And without responsibility there is no morality. Free will is a necessary condition for morality. So, is now the time to put down the book? What's to be done?

Every society and most religions believe in free will: that is, you are capable of choosing right over wrong and good over bad. Nowhere are people allowed to do what they want, when they want, wherever they want. Moral standards and values stating how people ought to behave are found everywhere. There are sanctions against those who violate the standard and honors, medals, awards, and special treatment for those who go beyond the call of moral duty. While excuses are permitted and mitigating circumstances are taken into account, when moral requirements are breached, those actions are condemned and penalties imposed.

Every language contains a moral vocabulary and every culture attempts to raise its children to become ethical people. People approve and disapprove, value and devalue, find worthy and unworthy. Some actions are deemed right and some actions wrong. There are norms about how people ought to treat one another, principles guiding behavior, virtues to aspire to, vices to stay away from, and duties to be performed. Evaluating behavior—others' and your own—is part of the human condition.

Some moral standards are obvious because the expectations are explicit, clear and non-conflictual. Other aspects of morality are more difficult to discern because they are implicit, not very clear, or conflict with other moral values.

Why is evaluating and rule making such an integral part of being human? One answer comes from the field of biology by applying the theory of evolution to human behavior.

Evolutionary biologists explain that we do what we do because it is adaptive for the species. It works for the most part; it helps humans to survive. Our behavior, including our moral behavioral, results from our genes guiding us to choose "this" over "that" because such choices help us survive. This seems non-controversial enough.

Case 4.2: A week after starting her new job Sri became sick with a life-threatening illness. Rad, the owner told her to take as much time as she needed and he would hold the position open for her. Sri expected to return to work within two months, but complications developed. After four months the owner informed Sri that he could no longer afford to keep the position open. He fired her.

Do you think Rad should have kept the position open for Sri in the first place?

Do you think that Rad held the position for her for a reasonable length of time?

Do you think Rad has any obligations to Sri after he fired her?

Such thinking becomes problematic when it tries to explain, not behavior in general, but specific human actions. For example, a few evolutionary biologists propose that males are programmed to impregnate as many women as possible as a way of ensuring the continuance of their genetic line. This, they say, helps explain why men rape and philander.

The line of reasoning echoes that of 19th century Social Darwinists who explained that the wealthy had their money as a result of natural selection. Furthermore, the rich deserved all their wealth because it was ordained by evolution. Success was legitimated by the very fact that they were successful. This is why women generally aren't as successful in business as men. It isn't that men discriminate women against but that women aren't biologically programmed to succeed, so it was claimed.

There is much to be gained by paying attention to the findings from the field of science. But those who see evolutionary biology as supporting specific moral positions are making logical errors. Philosopher Simon Blackburn uses the example of mother-love to

illustrate how this line of reasoning is mistaken. Even if it is true that there is a gene for mother-love, evolutionary biology can't explain the desirability of mother-love. You can still examine why this quality is good or bad, and what you may do to foster or hinder it. As Blackburn says, "Don't infer that our apparent concerns are not our real concerns," just because evolutionary biology may explain their existence.

Blackburn also cautions that it is error in logic to think that because we don't have an evolutionary explanation for a particular concern, it therefore shouldn't exist. Evolution may not offer a reason for why a stranger may risk her life to save a child in a burning fire, but that doesn't mean that such behavior doesn't happen or that it shouldn't be encouraged. Rescuing is moral behavior we want to encourage, and we rightly reward those who engage in it. The absence—or presence—of a rescue gene doesn't change the moral evaluation.

Evolutionary biology is good at giving a broad picture of the underlying biological reasons for human behavior, but it doesn't dissolve moral matters into pre-determined actions. In fact, it underscores the idea that human beings are social creatures and that morality is a part of living out natural law—views most clearly articulated by the schools of virtue and consequentialist ethics and, to a lesser degree, by those subscribing to duty-based ethics. We see this foundational idea clearly in Jewish ethics, with its stress on social conscience, and in the Christian tradition, as passed down through Aquinas, a theologian much influenced by his reading of Aristotle. Islam also emphasizes the social nature of human beings and has as one of the Five Pillars the requirement of giving alms. In the eastern world, both Buddhism and Confucianism view humans as fundamentally social in nature. Jainism, too, understands that ethics is the consequence of a rational approach based on the religion's fundamental tenets. Unethical behavior leads to bad consequences. In each of these traditions (and others as well), human flourishing requires that people treat each other morally. Society is necessary for self-realization. Therefore, wherever there are people there are morals because people are social beings.

Exploring the Ethical Basis of Human Nature

Ethics is a part of human nature because we are by nature social creatures. But what kind of social creatures are we? Are we naturally kind? Or are we out to grab all we can for ourselves?

Lord of the Flies is the classic novel in which children stranded on an island create a vicious society that demonstrates the worst of human traits. The book implies that if we are left to our own devices, vice will triumph because of an inherently corrupt human nature. The island is the Hobbesian world of ego-driven children and delivers a picture of a dog-eat-dog society of brute strength and sadism. Many believe that the business world is a *Lord of the Flies* environment, where the deceitful rule and the cheaters triumph.

Lord of the Flies

Fiction

Emphasizes the corrupt nature of humanity. Children create a vicious society dominated by the strongest.

The Lost Children of Sudan

Real-life

Demonstrates the nobility of humanity. Children care for and nurture each other for more than a decade with no adult presence.

The story of the children of Sudan presents a different picture of human nature. These children had the misfortune of living in the midst of one of the world's longest civil wars. One day, while the boys were herding their cattle and the girls were in their homes, government troops destroyed their villages, killing the adults and many of the girls. Left stranded, without adult guidance, they formed a band. For nearly ten years they trooped across the desert frontier, ultimately reaching safety in Kenya. Unlike the characters in *Lord of the Flies*, these real-life young men and girls exhibited the noblest of qualities,

caring for each other in exemplary ways for over a very long period. This is a picture of empathy-driven children and presents a picture in which the interests of one child are bound up in the interests of all the others.

Which is it then? Are humans basically good or bad, selfish or altruistic? This is a psychological question that has a significant impact when it comes to how you approach much of life, but whether you think people are basically good or bad makes little or no difference when deciding which moral values and principles you want to foster. If people are cruel and corrupt by nature, then they need to create enforceable moral rules, perhaps relying upon governmental oversight and penalties. If you think that people are naturally inclined towards compassion, then you may focus upon creating an ethical climate that relies upon trust.

No one disputes that compassion is a moral good. The disagreements come as to how to apply it, when to apply it, and how to balance it against other values. A general rule is that society benefits when people are doing well and being good. By analogy, we can say that business does well when the society in which it operates is ethical. A few may prosper, in the short run, as in the *Lord of the Flies* society, but most will not. This is consistent with Adam Smith's view and underscores why he was both an economist and a moral philosopher. Whether or not you are biologically inclined to be ethical, you can be certain that others are interested in your exhibiting moral values and virtues.

Religious and secular philosophies encourage the moral life because there is the recognition that human life flourishes where people can rely upon one another for support and have enough of each other's interests at heart so that no one will take unfair advantage of another. Rational people want to flourish. Therefore, the removal of impediments to others' flourishing becomes one of the goals of ethical living. This is true whether we think people are born good or evil. If we believe that people are born good, we realize that an unjust society makes it more difficult to realize their goodness. If we believe that people are born evil, we know that unjust conditions only reinforce that evilness. However we look at it, benevolence and justice are two hallmarks of an ethical

life. Without these twin pillars, business quickly becomes a social liability.

Universal Moral Values

So far the discussion presents the argument that morality is as much a part of human nature as language. But to say this is only the beginning of understanding ethics, just as saying that all people speak a language, tells us nothing about which language people speak. Ethics isn't universal but cultural, the argument continues. Take care of the terminally ill or put the elderly on an ice floe to die? Treat everyone the same or take care of your kin first?

Are there ethical values that transcend time and place? Are there ethical values that can be found everywhere throughout the world? What do we say to those who claim that all ethics are a matter of taste or custom? Let's look at one example. You want to drive on the right side, and I want to drive on the left. Who is to say who is correct? At this level, the choice is arbitrary and merely a matter of custom. Each of us could just as easily have chosen the other side of the road. However, once society has made a decision, we are no longer free to decide which side of the road we'll drive on. Mandating one side or the other (it doesn't matter which) decreases the likelihood of road accidents and facilitates movement from one place to another, thereby making travel safer and easier. Life becomes less brutish and nasty because we have agreed on a procedure, even if the procedure itself could have been a different one. The point of the rule is to make life easier to manage by making it more predictable. In other words, even social conventions can be judged in ethical terms.

Not all social conventions promote human flourishing, however. While slavery was a convention in many societies, it wasn't ethical. Some social conventions lead to the mistreatment of groups of people and, therefore, have to be judged outside the convention itself. What can that be? Let's look at human nature again. Because we are social creatures, we have to get along with other people, perhaps not every individual, but

society as a whole. We need to coordinate our activities with others so that we can go about the business of living. Can you imagine what it would be like if we couldn't depend upon someone keeping his or her word? What would the world be like if you couldn't count on being told the truth? It doesn't matter that you agree with everyone, but what does matter is that, everything else being equal, you can trust someone's word. The person who isn't trustworthy violates the "cooperative conversation" that is necessary for human flourishing.

Universal Virtues and Vices

Virtues

1. Promise keeping
2. Respect of private property
3. Fair allocation of rewards and punishments
4. Protection of the vulnerable
5. Reciprocation with gratitude

Vices

1. Incest
2. Arbitrary assault
3. Nepotism and bias
4. Biased classification

An intriguing cross-cultural study, conducted by anthropologist Richard Shweder, compared American children and adults, upper caste Indians, and Untouchable caste Indian adults. He found that there are nine shared virtues and vices. There were different social conventions (whether it's moral for widows to eat fish, for example) but these nine moral do's and don'ts were basic to both Americans and Indians and understood as binding upon all people. The virtues are keeping promises, respecting private property, fairly allocating rewards and punishments, protecting the vulnerable, and reciprocating with gratitude. The vices are incest, arbitrary assault, nepotism and bias, and biased classification.

There is a good reason why these particular moral values exist. These virtues and vices either promote amicable relations by focusing on impartial treatment or by protecting the vulnerable. They are the basic moral duties that help people get along insofar as they establish a climate of reliability. The virtues promote fairness and acceptance. The vices are those actions which, if acted upon, cause harm and injustice. Taken together, this moral list of virtues and vices covers the kinds of situations that either promote or deter human flourishing.

These two categories of values address basic conditions necessary for human survival. They provide guidelines that, if followed, keep us from isolating ourselves from one another. As Benjamin Franklin once said (in another context), "We must all hang together, or assuredly we shall all hang separately."

The Root of Universal Values: Compassion

When we feel the pain and problems of others, we identify with that which is important to them. If a brick falls onto another's foot, we understand that person is hurting because we know what it feels like to be injured. This is the basis for the maxim found in all religions, expressed either in the positive or the negative: "Do unto others as you would have them do unto you," or "Do not do unto others as you would not have them do unto you." It is also the basis for Smith's ethical and economic philosophy. Ethical judgments are possible, Smith says, because normal human beings are capable of sympathy. We identify with others and understand on an intuitive level something of what they are experiencing.

Putting yourself in someone else's position is more than an idealistic wish. Studies of brain patterns show that there is a region of your brain that reacts to pain. That very same area reacts to your witnessing someone else's pain. When you see another in pain, you literally feel at least some of what they are feeling.

Because humans are social creatures, forces beyond our control shape much of our lives.

Whether we choose it or not, we must relate to others. Like it or not, our fate is bound up with others. Whether *you* care or not, *others* care about what you do. Within this social crucible you make choices, some of which are strictly personal (your favorite color), others a matter of social convention (whether you wear sandals at business meetings), while others cross the boundary between convention and ethics (such as which side of the road to drive on). The moral choices are those that are fair and cause no unnecessary or gratuitous harm. They are the choices that take the interests of others into account and recognize that they have as much right to a good life as do you.

Case Scenario

Louis De Sousa is the chief financial officer of a chain of supermarkets that has expanded rapidly in the last few years. Blissful Foods, the dominant food provider throughout the country, has brought high quality food at cheap prices to parts of the country that have known only local markets and shops. They are able to do this by paying minimum wages to the thousands of clerks, cashiers, cart gatherers, and those who stock goods on shelves. Blissful Foods dominates the market in most areas. Success breeds imitation. Other companies have copied Blissful Food and have opened up shops to compete with it. The competition has been so successful that Blissful Food can no longer ignore them. Blissful Foods needs to hold down spending if it is to maintain its market share.

A study commissioned by the company shows that employee benefit costs are the major area where savings can be realized. De Sousa also notes that workers with more than seven years seniority are no more productive than workers with one year on the job. Based upon the data he makes several recommendations: that long-time employees be eased out of their positions, more part-time employees be hired, and unhealthy people be discouraged from working at Blissful Foods. From now on Blissful Foods will require that all jobs include some physical activity, thereby barring those with health problems and the elderly from employment.

CHAPTER FIVE

Business and Human Flourishing

Happiness as the Goal of Life

Ethics is a way of life that involves mutual respect and cooperation and balancing your personal interests with those of others. This requires the values of justice, human welfare, and rights combined with sound judgment and the courage of your convictions. Every day you choose to do one thing over another. Sometimes you need to choose a course that may be unclear, uncomfortable, or unpopular. You may pay a price for that decision. Others may admire you, while others may think you are foolish. The sum of the moral decisions you make and the actions you take is the measure of the kind of person you are.

You now are in the world of business. While there are particular moral considerations for you as a businessperson, they are part of the larger ethical picture. Businesses aren't exempt from moral considerations nor are business ethics qualitatively different from other spheres of ethics. Business ethics is a subset of ethics in general, not something apart from it. It can even be said that ethics is more important in business than private matters because the temptation and pressures to skirt moral practices are frequently present and often great in business. If you can stay focused on the larger picture, it will help you keep a steadier course towards a successful life. You need your moral compass to guide you to those safer shores.

The reasons you are in business are your own, but they point in the same direction — to live a fulfilled, satisfying and happy life. This isn't to say that everything you do in

business is designed to increase your happiness, at least not in the present or even near future. Good ethics, like good business, takes a long-term view. In the short term, decisions may in fact lead to dissatisfactions and unhappiness.

While deontological, consequentialist, and virtue ethics are far apart in how they judge morality—doing you duty, creating the greatest good, acting with integrity—there is a deep concern that ties them together. When we look closer we see that they are after the same thing: human flourishing. The three approaches are different but they differ in how to achieve a happy life, not whether happiness is the goal of life.

Three Views of Happiness

Deontology: "It is not God's will merely that we should be happy, but that we should make ourselves happy."

Immanuel Kant

Consequentialist: "The great end of all human industry is the attainment of happiness. For this were arts invented, sciences cultivated, laws ordained, and societies modeled, by the most profound wisdom of patriots and legislators. Even the lonely savage, who lies exposed to the inclemency of the elements and the fury of wild beasts, forgets not, for a moment, this grand object of his being."

David Hume

Virtue: Happiness is the meaning and the purpose of life, the whole aim and end of human existence."

Aristotle

Underlying these approaches is that assumption that people are rational. But what does it mean to be rational? Only humans can be said to be rational. Other creatures may be intelligent but they aren't rational. They hold no life plan; they don't look ahead to a distant future; they don't understand that there are others beyond their senses. Humans come into their rationality with maturity. Infants and young children are incapable of reason and so aren't held accountable for their actions when they go wrong. The ability

to understand the implications of your actions as an abstract concept and to comprehend the long-term consequences of what you do is something that comes with age. Just as the body matures, so does the capacity for reason.

Everything else being equal, as an adult you are capable of being aware of what you are doing, the effect of your actions on others, including those you don't know and into future generations. As we grow older, it is expected we grow wiser and more capable of greater and sounder decisions. But at some point during your life (and this differs from culture to culture), you are now held to a standard of responsibility that is new and higher. Now you receive the full approbation or condemnation for your actions. Maturity is equated with the ability to reason.

Case 5.1: Favoritism and harm

Devdas is the first in his family to become middle-class. After graduating from secondary school, he worked as a clerk for an insurance company, then acquired a license as a financial advisor. Most of his personal contacts came from those with a similar background to his own. So while he was able to help them with financial matters such as life insurance and small investments, the amounts were small and, therefore, so was his income, as it was derived from commissions.

The vice-president in charge of Devdas has been impressed by his integrity and hard work. On the verge of retiring himself, he decides to give Devdas one of his own leads.

Is it right for the vice-president to favor Devdas with his contacts?

What obligations does the vice-president maintain with his clients after his retirement?

Should the vice-president let his clients know that someone else will be taking over for him?

Being responsible (and being held responsible) for one's actions is one of the hallmarks of ethics, and we can be considered responsible only if we have the ability to understand

our actions, their implications, and the effects they have on others. An ethical person must be able to understand the difference between right and wrong. So while children may be capable of running a small enterprise (selling coconut milk), they might not understand why selling coconut-tasting water, not the real thing, and calling it coconut water is wrong.

Where to draw the line regarding rationality isn't easy. Mental retardation and being a child is disqualification, but how much retardation is a disqualifier and how young do you have to be? You don't need to draw a hard and fast line in most instances, as long as you recognize the larger point. Now, granting that rationality is a prerequisite of ethics, for without it you can't choose wisely, you may ask, "What does a rational person want from life?" The answer is surprisingly consistent. It is happiness, the highest good that a person can achieve. It is good in and of itself. You aren't happy in order to achieve some other end; happiness itself is the goal. Furthermore, in order to achieve happiness you must be a virtuous person.

The Universal Pursuit of Happiness

As mentioned previously Judaism, Christianity, and Islam all have an understanding of how to best achieve a fulfilled life—primarily through fulfilling God's commandments. When those commandments are met, or when your heart is filled with the love of God, you will find true happiness.

If you think that happiness is an exclusively Western idea, a quick look at Asia helps to dispel that notion. Buddhism starts with the observation that there is suffering in the world, assumes that no one wants to suffer, examines the causes of suffering, and offers its prescription for ending suffering. Happiness—the elimination of suffering—is the ultimate good. Taoism finds that the way to happiness lies with aligning yourself with the larger forces of nature and becoming one with the flow of things. Confucianism claims that happiness is found when people live in harmony and outlines an entire way of life

that governs both personal and public life to assure harmonious relationships and therefore happiness.

No rational person wants to suffer, and no one wishes to be unhappy or miserable. To want otherwise is to be neurotic. How to achieve happiness may well differ from religion to religion and culture to culture, but on a fundamental level, all agree: happiness is a supreme human good.

Cultures and religions agree on another point, too: happiness requires that you relate to the world in an ethical manner. There is no religion that promotes selfishness or self-centeredness. In fact, an excessive focus on the self is seen as the major source of unhappiness. In monotheistic religions, vanity substitutes the self for God, or separates the person from the divine; for non-theistic religions and secular philosophies, selfishness undermines human relationships and therefore undermines the possibility of human flourishing and happiness. In both the religious and secular approach happiness and morality (living virtuously, doing one's duty, and contributing to the greatest good) are tied together. An ethical life leads ultimately to a happy and fulfilled life.

Behind ethics lies the assumption that people desire to be happy, and that happiness is a desirable condition. But this seems to say something that doesn't appear to be true to the facts of life; there are many happy people who aren't moral, and there are many moral people who aren't happy. How can this be?

Happiness as a Virtue

If there are happy people who aren't ethical and ethical people who aren't happy, then there is a problem with the idea that ethics and happiness are twins. Happiness and morality could go their separate ways and if they are found together, it is only a matter of luck. There is no necessary connection between the two. This is a serious challenge to the basic premise of this book. It isn't, though, an insoluble challenge. It is resolved, in part, by better defining the terms and distinguishing between different types of happiness.

Defining Happiness

Virtue Ethics

Happiness according to Aristotle

You must be active, reasonable, and engaged with others.
Real love and friendship are required.

Consequentialist Ethics

Happiness according to Adam Smith

Happiness requires three things: good health, not being in debt, and having a clear conscience.

Happiness according to John Stuart Mill

Happiness refers to the higher pleasures of life with the welfare of all being the guiding standard of right conduct.

Deontological Ethics

Happiness according to Immanuel Kant

Everything fits into a moral universe where actions are right or wrong, permissible or impermissible, as a matter of principle.

When happiness and justice conflict, justice should win out.

Strictly speaking happiness is not found within this philosophy but is held out as the promise of immortality.

The modern conception of happiness differs from that of the ancient or traditional world. In pre-modern and traditional societies, happiness is objective in that it is tied to that which is outside the self. Connections to others, virtues performed, and vices avoided lead to a happy and fulfilled life. Happiness is a life lived with others in an ethical relationship. Although happiness for the ancient Greeks meant human flourishing, that flourishing took place in the nexus between you and your surroundings. Happiness is the goal and is achieved not by the pursuit of it but as a by-product of moral habits. Happiness and virtue cannot be separated.

In the modern, western world, happiness is as happiness feels. The widespread contemporary idea of happiness is that it is a subjective, emotional state that is experienced as internal pleasure. Happiness is a feeling.

How do you feel?

I learned to speak Swahili when I was in the Peace Corps. There is a peculiar construction in the East African language that strikes me as revealing a way of thinking that has been all but lost to Westerners. In Swahili you say "Ninasikia mzuri" to mean "I'm feeling good." It literally means "I am hearing good."

Why, I wondered, use one of the senses that describes a feeling? The reason, I think, is that the Kenyan way of "feeling" is different from mine. I could feel all by myself, so to speak, but in a traditional society, a person can only experience a feeling as it comes from outside him or herself. Individuality didn't exist in the pre-modern world because the self wasn't thought of as autonomous. It wasn't separated from the world around it, but was a product of the interaction with it.

My feeling bad was a subjective state, while feeling bad was rooted in the larger and objective world for my African friends.

How Consequentialism Defines Happiness

To Jeremy Bentham, philosopher and principal founder of utilitarianism (a form of consequentialist ethics), happiness is defined as an internal state of pleasure. From this theory, Bentham derives the dictum: act so as to produce "the greatest happiness for the greatest good." The maximization of pleasure is the good we are after. Morality, then, is a calculation, theoretically as measurable as counting rupees in a jar.

One problem with Bentham's philosophy is that all animals experience pleasure, not just humans. A child squeals and so does a pig. Both know pain and pleasure, so it is hard to distinguish between what is good for humans and what is good for animals. John Stuart Mill, a follower of Bentham, modifies Bentham's hedonism by recognizing that pleasure is more than sensation. Pleasure is also derived from "friendship, achievement, art, music, Socratic conversation, and discovery." Mill deepens Bentham's ethic by acknowledging the complex nature of happiness. More than physical sensation, happiness is also the

memory of pleasure, the anticipation of pleasure, and the non-sensate pleasures that you find in beauty, friendship, and love. "Mill's main point remains, though," Simon Blackburn writes, "that anybody concentrating upon happiness or pleasure can remember the indefinite variety of things in which human beings take pleasure, or the indefinite variety of things they enjoy."

Mill solves one of the problems with Bentham's philosophy, but not all. You are still left with the fact that some desires are unhealthy, destructive, degenerate, selfish, and self-serving. Drug addicts have desires, too, but society would not be better off if those desires were catered to. There are pro-social desires, neutral desires, and antisocial desires. Ethics is more than fulfilling desires of all sorts. Ethics clashes with happiness when you accept all pleasures as being equal, which they are not.

How Virtue Ethics Defines Happiness

Aristotle's virtue philosophy of happiness presents an alternative to utilitarianism, as it looks at a fuller picture of human nature. The virtue view is that people are social creatures and that goodness necessitates leading a certain kind of life—a moral life, a good life. This life requires, in Blackburn's terms, "reasoning and activity, and engagement with others, notably it requires real love and friendship." The moral life is a social life, the good life is a moral life, and the good life is one that enhances, fulfills, or sustains you in that social life. Self-centeredness, resentment, anger, and hostility can't do that. Generosity, loyalty, and thoughtfulness can.

Defining Happiness by Blending These Approaches

By blending the philosophies of Aristotle (which is rooted in virtue), Hume's (which is

based on benevolence), Mill's (which is based on consequences), and Kant's (which calls attention to everyone's rights), you find an attractive moral philosophy that aims at increasing general happiness. This ethic, which contains elements from all three schools of ethics, is rooted in the fact that you live in a society, and through fair and just interactions everyone has the chance to achieve happiness. Everyone has a right to be happy and happiness is most likely to take place in a society rooted in compassion and justice, one in which everyone's rights are respected.

Universal Rights

1. freedom of physical movement
2. ownership of property
3. freedom from torture
4. fair trial
5. non-discriminatory treatment
6. physical safety
7. freedom of speech and association
8. minimal education
9. political participation
10. subsistence

Thomas Donaldson

The goal of increasing general happiness is attractive for several reasons. One is that people are treated equally. You'll recall that several of the values found in all cultures address equal treatment: being free of biases, avoiding nepotism, and fairly allocating rewards and punishments. It also promotes benevolence. Caring for others, as we'll explore further in the next chapter, is the underlying moral emotion that is the core of all ethics. Another attractive element of this philosophy is that it avoids being moralistic, which is one of the pitfalls of deontological ethics when taken alone. This blend of the three schools looks forward to what "happens if..." It forces you to think about where your behavior leads you. Considering what happens to other people downplays self-righteousness, an attitude contrary to all forms of morality.

Case 5.2: The client is a university professor who knows little about managing money and is glad to meet Devdas on the recommendation of the vice-president. He trusts Devdas completely. Devdas has a chance to make a substantial amount of money, as the client is willing to follow his advice completely.

They get together and Devdas does a thorough analysis of the professor's financial needs. He concludes that the client has nothing to gain by making changes in his present portfolio. There is nothing that Devdas can recommend that would bring his client any benefit. At the same time, he could suggest several changes that would create large commissions for himself. This wouldn't endanger the client's investments in any way. It would only amount to the professor's paying some small fees for the transactions. But it would mean a great deal to Devdas, as he is worried about how to pay the school fees for his own children and how to pay for the bigger house he and his wife had been thinking about.

Do you think Devdas should make the switch for the client?

Which factors are most important in making the decision?

Who would be hurt if he did?

Who would be hurt if he didn't?

Do you think Devdas could explain his decision, either way, to his vice-president?

If it is the general good that counts, does your own happiness have to fall by the wayside?

Not quite. While it may be true that in the short term your own happiness has to give way, forgoing immediate gratification for something important to a friend, family member, colleague, co-worker, or employee decreases one kind of happiness (your own short-term happiness) but increases another (that of others).

Rules and Happiness

Not everyone who pursues happiness takes others' interests into account. There are those who are selfish, who take a hedonistic approach to happiness, or who focus on short-term happiness at the expense of long-term benefits. There are always those who are ethically challenged, and there are situations that challenge even the most ethically minded. Society, therefore, creates rules to override individual pursuits of happiness that undermine the general welfare and happiness overall. When you have rules to facilitate happiness (such as those related to the universal virtues and rights), you create an environment that fosters freedom and justice. The rules are there because they promote a social life that is most likely to assure that greatest happiness for the greatest number. It is a kind of game that you play, a game whose rules you abide by because it makes it more likely that you will achieve happiness overall, even if not in a particular situation or all the time. Like any game, it is a human construct, this one designed to promote the general welfare.

Perceived Fairness and Productivity

[F]airness can matter. A dissatisfied worker may deliberately restrict output or even resort to sabotage . . . Conversely, an employee who feels he or she receives a fair deal is more likely to perform above minimum requirements . . . not just the level of pay, but also the causes and processes for changing it can affect employees' reactions . . . Among other factors, theories of procedural justice emphasize that most respondents consider procedures more fair if the decision-maker treats the respondent with respect, has no vested interest in a decision that is harmful to the respondent, and has limited choice in making a decision.

Charness and Levine

This is basically an ethic of care, a philosophy that breaks down the separateness of people, overcomes indifference and rests upon the desire to do no harm, do some good, and be fair. Since it seems to be true that humans must rely upon one another for their very existence, happiness is found only in the breaking down of the walls of separation.

Happiness as the Golden Rule

Religions, at root, seek to achieve happiness through a fulfilled life. Yet an ethic that promotes happiness often bothers some people who take their morals from religion. Happiness seems worlds apart from religious ethics, which emphasizes following divine law, scripture, prophets, or priests. But this is true only at one level. (It certainly isn't true of all religious traditions; Buddhism is one example of a religion that explicitly seeks happiness.) Religious ethics isn't merely following the "law," but aligning yourself with the greatest good. There is something more behind the law, and when we look once more at religion, we see what it is.

The Golden Rule

Judaism: What is hateful to you, do not do to others.

Islam: No one is a believer until you desire for your sister or brother that which you desire for yourself.

Christianity: Do to others whatever you would have done to you.

Hinduism: Do not do to others what would cause you pain if done to you.

Taoism: Regard your neighbor's gain as your own gain and your neighbor's loss as your own loss.

Buddhism: Hurt not others in ways that you yourself would find hurtful.

Confucianism: What you do not want done to yourself, do not do to others.

The “Golden Rules” from around the world are principles in that they direct particular behavior and lay out obligations, but they are also guidelines for living rather than strict regulations. They present an underlying direction and rationale for living rather than a code per se. The laws presume that people are reasonable and that we all want the same thing. At the highest level, this human desire is to find happiness.

Happiness as an Ethical Responsibility

You can't really be satisfied or self-actualized or fulfilled in the long term by acting unethically. Happiness depends upon living in a world in which all are treated fairly, justly, and compassionately. In a world in which you can't trust other people, where others lie, cheat, and steal, where people are treated unfairly or dwell with insecurity and in ignorance and hunger, you are suspicious of others, live in fear yourself, and close yourself to life's possibilities. In Chapter Seven, which discusses justice, you will see once again the connection between happiness and ethical behavior.

Before we get to the larger communities in which you live, let's examine your ethical relations to those close to you, namely, family, friends, co-workers and colleagues. What is it that hurts them? What is truly hateful? What is a gain or a loss for your neighbor? In the following chapter, we will learn more about the ethics of relationships.

Case Scenario

Trinkets and Things is a third generation family-owned business. Joe and Mala inherited it from their father more than thirty years ago and the two of them have run the company by themselves. Neither married. Not only are they brother and sister but also best friends and compatible business partners.

Joe notices that Mala is changing. She isn't quite the same person she used to be. Once the sharper of the two, she is increasingly forgetful. She'll talk about recent business transactions as if she knew nothing about them. She repeats questions and repeatedly makes the same observations, as though for the first time. She used to return to the office promptly after lunch, but now she sometimes comes back hours later and is unable to explain where she had been or what she had done.

Joe sees her staring out of windows. While she continues to come to work every day, it is clear to Joe, and to some long-time customers, that she has lost her ability to make sound judgments. In the last six months, Joe has taken over many of Mala's responsibilities. She doesn't seem to mind or notice.

The day she came to work in her pajamas, Joe decided that he had to take her to a doctor. The physician examines her and tells Joe that she is physically healthy. There is no reason to worry on that account. The problem isn't her body but her mind. He tells Joe that she is suffering from elderly dementia and that in the near future she won't be able to take care of herself.

Joe was afraid of this. He hadn't really wanted to know the bad news.

"She'll need nursing care, Joe. I think the best thing is for you to find a good facility for her. I can recommend a few."

Mala simply smiles. She can no longer hold a rational conversation.

Joe knows Mala's wishes in this regard. She had said on many occasions, when talking about people they knew, that she never wanted to move out of her house and be institutionalized. Neither did she want strangers taking care of her. She had often made disparaging remarks about home aides and nurses. She would rather die than have strangers take care of her. She would find it humiliating to have paid help change her clothes and bathe her.

Joe doesn't want to put Mala into a nursing home, either. He can take care of her himself. But to do so, he would have to either close Trinkets and Things or sell it.

But there is another concern that he hears in his head. Mala often expressed it. She and Joe had devoted her entire life to ensuring that the company succeed. Mala had said she and Joe owed it to their father and grandfather to keep the business open at all costs. She believed it was a sacred family trust.

CHAPTER SIX

Business, Family and Friends

A Way of Being

Everyone has values and makes judgments. Some values are better than other values, just as some judgments are better than other judgments. Moral values and moral judgment are measured by the degree to which they are successful at creating a better—good and happy—world.

Behind both moral values and judgments is a key emotion without which these values and judgment don't amount to much. Call it compassion, sympathy, empathy, benevolence, care, loving-kindness, mercy or love, this moral emotion is central to the ethical life. All of ethics is built upon it. Without these feelings there could be no ethics, as they serve as the motivator for a moral life. Moral emotions are the energizers, the fuel that moves you towards moral action.

Religious ethics puts compassion at the center. It is the essence of the Golden Rule in all its varieties. The need to place yourself in someone else's position—taking another's perspective—isn't always so obvious in secular ethics, but it is there nevertheless, just more hidden. In this chapter, we will examine the place caring has in ethics and look at some of the obligations that we have to those who are close to us.

Business ethics is often viewed exclusively in terms of how one ought to behave in the marketplace. There are special rules and regulations that apply to various sectors of the

business world, and business specialties have their own codes of ethics with an emphasis upon the unique qualities of that sub-area. So there are codes for accounting, banking, advertising, real estate, insurance, and so forth. In addition to the codes, which may be specific or general in nature, there are increasing numbers of regulatory and legal issues relating to ethics.

However, ethics is more than having good values or judgment. Ethics is also about how you live in the world, your way of being. It is the totality of your life, the combination of values, attitudes, practical judgment, and behavior that defines you. Ethics is your disposition to be a good person and making that disposition real.

Good conduct—being a good person and doing good—arises from moral habits that are acquired by repeated action and correction. The point is that being a businessperson is only one part of who you are. And business ethics is only part of what it means to be ethical in business. You don't suddenly do the right thing because you are now in business. Ethics is a disposition of character and it is found in everything that you do. Granted, it is easier to be ethical when there is no conflict between your interests and that of others. Nevertheless, the moral dilemmas faced in business are business ethics only in the sense that they occur within a business setting. Here is the main point: *An ethical businessperson is an ethical person.* Being good at business is not the same as being good in business. Being good at business means being successful at making money or running a business. But being a good businessperson means that you must also be a good person.

James Rest, the founder of the Center for the Study of Ethical Development, described the components that make a person ethical. In doing so, he examined morality not from a philosophical perspective, but from a psychological one. This description applies to all three schools of ethics—virtue, deontology, and consequentialist. He concluded that being a moral person isn't reducible to one component. It is multidimensional and can be broken into four components. It is important to keep in mind that the list isn't linear. It isn't that one thing follows the other. They are separate dimensions of being ethical and are best imagined as being different parts of a sphere.

First, you need to be aware that your behavior has an impact on others. For example, if you don't know that the chemical you use as a flame retardant in the children's nightclothes you manufacture slowly releases noxious fumes, you wouldn't be unethical for producing the product. You didn't know you were harming children.

The Components of Being an Ethical Person

1. Awareness that your actions affect other people.
2. The ability to be discriminating, to judge one thing over another.
3. An interest in wanting to act morally.
4. The psychological courage to do what you know is right.

Second, you need the ability to judge that one action is more important than another. For example, swimming where a lifeguard is present is more prudent than wading into waters where there is no one to rescue you from an undertow.

Facts alone aren't sufficient. You have to evaluate the fact, deciding that one choice is more important/valuable than another. Knowing that your flame retardant is in fact carcinogenic, you then have to make several judgments, some of which are financial, some of which are ethical. How reliable is the information, how serious is the problem, what are the financial costs of doing this rather than that, who will be affected by the various decisions, who will benefit, who will be harmed, what will the decision mean for others in the future?

Third, you have to be sufficiently interested in wanting to act morally. You may be aware of the impact of your behavior on others, you may know that what you do hurts others, but you may not care and therefore you don't stop your harmful behavior. So you may know that children will die if you continue to put in the retardant, that you can prevent those deaths by changing the formula of the retardant, and then decide to go ahead with what you are already doing because you simply don't care—about the lives of

others, about your reputation, about your moral integrity.

Dennis Kozlowski, former CEO of Tyco International, is an example of this disconnect between rhetoric and reality. He used a moral vocabulary in his public appearances, but in retrospect, you can see how he used moral arguments to divert attention from his unethical and illegal behavior. In 1995, ten years before he was convicted of having stolen nearly \$180 million from his company, he painted a picture of moral rectitude when he wrote, "Considering the recent, well-publicized strife and scandal with several prominent CEOs and boards, it is no surprise that the integrity of the corporate governance process is on trial . . . But the most damage in the recent cases has been to the reputation of the position of CEO. We've been made out to be free-wheeling jet setters, playboys reliving our adolescent years . . . Finally, we are offended most by the perception that we would waste the resources of a company that is a major part of our life and livelihood, and that we would be happy with directors who would permit that waste." Kozlowski understood the moral rot in many multi-million dollar corporations; he spoke against it. At the same time, he was engaged in grand larceny, conspiracy, securities fraud, and falsifying business records.

If you don't care, it is possible to talk intelligently about ethics, then turn around and lie, cheat, and steal. A hard-hearted person sizes up a situation correctly, but shrugs his shoulders and acts solely on the basis of self-interest regardless of the harm it does to others. Even Immanuel Kant, the great proponent of reason over feelings in ethics, wrote that if a person were completely lacking in moral feeling "he would be morally dead. And if...the life-force could no longer excite this feeling, then humanity would dissolve." Here Kant agrees with Hume, who wrote: " 'Tis not contrary to reason to prefer the destruction of the whole world to the scratching of my finger. 'Tis not contrary to reason for me to choose my total ruin, to prevent the least uneasiness of an Indian or a person wholly unknown to me. 'Tis as little contrary to reason to prefer even my own acknowledged lesser good to my greater." No argument no matter how persuasive and reasoned can persuade the person with a stone heart to act morally.

The **fourth** component is truly a psychological one, but from the point of view of behaving ethically, it is no less important than the first three. This is having the courage of your convictions, the ego strength to do what you know is right, the ability to stand up against the crowd that is pushing you to act contrary to your moral sensibilities. Sometimes acting ethically is a challenge because the financial and psychological cost seems great. Not all ethics is risk free, as those who choose to report wrongdoing know full well. (About fifty percent of all whistle blowers lose their jobs; half of those lose their homes; and half of those wind up losing their marriages.) You must care about and for others in order to be ethical. However, wanting to do the right thing but being unable to act when the time calls for it makes for an ethical philosopher rather than an ethical person. Motivation needs to be linked to action. Intentions need to become realities.

The question isn't whether or not we should care. We should. Without this moral feeling ethics becomes a word game or a ruse, as it was with Kozlowski. Still, you must determine what and who you care about, under what circumstances, and to what degree. The questions are especially difficult in business, as competing loyalties are often at play—between profits and people, solvency and loyalty, a job and integrity, and so on.

Ethics and Family

Roles and obligations change as your place in the family changes over time. The obligations that spouses have toward one another and parents have toward children, and children toward parents are constantly shifting. For example, the young child whom the parent nurtured may find herself later in life as the caregiver for her parent. Each of these changes has an impact upon how you relate to your work. Do you move for a better job, even if it means uprooting your children from their friends and you from your own family? Do you take care of an elderly parent even if it means not doing all that your business demands? Do you forego the possibility of reaching the top of the corporate ladder because you want time with your loved ones?

Case 6.1: Working for a Parent

Alison has worked in the food service industry her entire life—managing clubs, restaurants, and hotels. She has a strong work ethic, which she has passed on to her daughter, Gabby.

Since age twelve, Gabby has worked, doing odd jobs, baby-sitting, and cashiering. Now in college, she has decided to major in hotel management. She asks her mother to hire her in the small hotel, the Southern Star, she now manages. Alison agrees.

Near the end of the summer, Gabby calls the Southern Star and asks the head of the kitchen if it were OK for her to come in late that night, as she had personal matters to attend to. She is given permission.

The next day Allison asks Gabby why she was late the previous night. Gabby explained that she was out with a friend, who was going back to college the next day and she wanted to spend a little more time with him. She said that she had called and was told it was OK to come in late.

“If you ever do that again,” Allison says, “you’re fired. And you will never get a recommendation from me for another job in this industry.”

Allison explains that she would give others a second chance, but not her own daughter. As someone reared in food industry, Gabby should have known this wasn’t fair to take advantage of her connections this way and, second, as the child of the manager, she had to be held to a higher standard. Anything less would be viewed as favoritism by others and would undermine workplace morale.

Gabby says this is a double standard and unfair to her. She just wants to be treated the same as everyone else, not better and certainly not worse.

Do you think Allison should have hired Gabby in the first place?

Do you think Allison should treat Gabby like every other employee?

Are Allison’s obligations to Gabby different as a mother than as an employee? If yes, in what ways?

In some sense, ethics demands that we care about everyone. Realistically—maybe even naturally—we care first about those closest to us. This is why it is heartbreaking to watch a parent in the military being sent abroad while a young child stays at home. Our inclination to side with close rather than far loyalties makes the scene of a parent (especially a mother) leaving a child behind poignant to the point of tragedy.

Children have a right to be taken care of. Parents who abandon their children are viewed as having breached such a fundamental moral requirement that we often view such behavior as a psychiatric disorder. The parent-child bond is primary in both the biological and moral sense. The basic educative role of parents is to raise moral children, and this is, as Blackburn notes, "to instill into the subject the sense of respect and self-respect which will turn a profit made by selling his soul into a loss."

Parental responsibilities diminish as the child gets older. As children pass into adulthood, their parents' obligations are loosened and become discretionary, not mandatory. The child assumes a new set of responsibilities to the parent as well. The commandment to honor your mother and father speaks about the obligations that grown children have to their aged parents. At the final stage of a parent's life, the moral duties of parent and child have been reversed. It's important to note that there is no commandment for parents to care for children. A parent having to care for his or her child is so basic that nothing needs to be said, whereas grown children need to be reminded of their duty to their parents.

Our moral duties to the rest of our family are less clear. Some religions and cultures have marriage contracts that spell out what one spouse owes the other. To some extent, this is the realm of social convention, which we discussed in chapters 2 and 3. That which is mandatory in one place may be discretionary in another. This doesn't leave you completely in the cultural relativist camp, however. You are still able to judge how people relate to one another by using the scale of harm and benefit as well as that of fairness.

Ethics and Friends

Ethics is about a living a good life. This means living a moral life. It is easier to live an ethical life when certain goods are available to you and more difficult when they are absent or scarce. While it is possible to be moral and happy without pleasure, wealth, honor, virtue, and friendship, having them adds a great deal to the joy of living.

Case 6.2: While the two of them were in college together, Beth told Simon about having been arrested for petty shoplifting as a teenager and sent to a juvenile detention. She was deeply ashamed of what she had done. Simon was the only other person who knew her secret. He couldn't imagine the person he knew was the same one who committed the offense Beth described.

The two of them remained good friends and years later wound up working for the same company that dealt with government contracts. They each had families and their families had become friends.

Simon told Beth about a new opening in the company and urged her to apply. As the head of human resources, he reviewed her application and noticed that she hadn't indicated that she had once been arrested.

Should Simon talk to Beth about her application? If she refuses to correct it, what should Simon do?

Since friends are so basic to social living, let's start there. There are two kinds of friendship, as Aristotle saw. He called them imperfect and perfect. Many friendships are of the former kind because there is a gap in the moral values of those involved. People may enjoy each other's company but are dissimilar in the area that is most important—their commitment to leading a virtuous life. A friendship is also imperfect when the moral capacities of the people involved are different. A friendship between parent and young child is imperfect because a child simply isn't at the same level of moral development as the adult. Children lack the capacity to make mature and sophisticated moral judgments.

A perfect friendship is one of trust and loyalty that is based upon a moral equivalency between the friends. In a perfect friendship each person wishes well to his/her friend. There is mutual concern that is rooted in good character.

Think of imperfect and perfect friendships as existing on a continuum. Leaving family aside, you can say that the more perfect the friendship, the greater the loyalty to that

friend ought to be. On occasion, true friends will give up something that is exceedingly important to them for the sake of a friend. Unlike parents, who are called upon by the nature of their roles to make sacrifices for the sake of their children (e.g., deferring buying a new television in order to pay for school supplies), friendship doesn't require self-sacrifice. Sacrificing for the sake of a friend needs to be evaluated in relation to whatever else is lost in the sacrifice. Morality is always contextualized; it needs to be seen in the particular setting and circumstances. For example, if you give your friend money to buy a house, you have to make sure that you're not putting yourself and your family out on the street. Others beside your friend rely upon you—family, colleagues, neighbors. What will they lose if you give everything to your friend? Ethics requires good judgment because you need to find the right balance between the various values and interests involved.

Ethics and Community

Just as you don't choose your family, you don't choose your neighbors. You either were born into a community that is stable or live in an area where people are coming and going. Even if your neighbors are virtual strangers to you, you have obligations to them and they to you. You have the right not to be harmed by them, and they have the right to not be harmed by you. What constitutes "harm"? Some harms are easily identifiable, such as theft, assault, and battery. You don't threaten bodily harm, nor do you attack people.

There are other harms, which might be put into the category of irritations, that aren't obvious or illegal. However, if enough people are bothered, the nuisance may in fact become a moral or even a legal matter. Noise abatements fall into this category; there are "no radio zones" at beaches and on public transportation. Workmates who speak loudly on cell phones or play music that you don't like are other examples. As it is obviously impossible to regulate all bothersome activities, the law won't stop you from doing everything that others find offensive, but your sense of morality might. Personal appearance, hate speech, and odors fall into this category. Of course, what is offensive in one culture may be acceptable in another. Some cultures chew garlic like candy; in others

people bathe once a week. There are places in which vulgar language is commonplace.

Different standards are real issues in a multi-cultural environment. What does a manager do when one person's personal habits, informed by culture, offend others to the point of distraction? Still, the ethically sensitive manager will try to accommodate those who are bothered by the personal habits of others, provided those offended aren't self-righteous or neurotic, that is, someone who is annoyed by so many habits that the only acceptable behavior mirrors their own. You have a right to wear your aftershave lotion or perfume, wear deodorant or not, eat curry or pickled herring, but does the behavior have a right to continue if it interferes with the general functioning of the workplace?

Looking Out for Others

Poet Louis Simpson reflects upon a visit to Italy. He observes that our appearance is an ethical matter, since others have to look at us:

“Italians are good-looking. Even the old ones who are thin or fat and bent out of shape seem to remember when they were good-looking. They care how others see them and try to make the best of what's left... Italians know they are being looked at; you can't go through life trying not to be seen; you are here definitely, a part of the universe, so you should try to make as pleasing an impression as you can. You owe it to others.”

At a minimum, citizens owe one another the right for each to pursue his or her own happiness in his or her own way. This requires, as Aristotle noted, the possibilities of acquiring pleasure, wealth, honor, virtue, and friendship. Much of what makes us happy is in the area of personal choice, such as what kinds of movies we enjoy or how or whether to spice our food. Other items cross over into the moral domain, as we have seen by several examples already given, such as using perfume in a small space shared with others. Society doesn't have an obligation to provide us with movies or spices, but we all need to offer others the possibility of experiencing pleasure, acquiring wealth, living

honorably and virtuously, and having friends.

Jerome M. Segal of the University of Maryland's School of Public Affairs asks a basic question about business: what is an economy for? He answers, "[it] involves a vision of the good life that is balanced between meaningful work and leisure, friends and children and family, books and play, religion and theater. It is about being open minded and creative in looking for new ways of making that life a possibility for all of us."

In the next chapter, you will see you how ethical behavior and decision-making factors in other areas of your life. Since rights and duties are conjoined, the question becomes, if the pursuit of happiness is a right, what duties are incurred by society to ensure that right? No longer a matter of caring, we are now led to a matter of fairness. Some call this justice.

Case 6.3: Doing what comes naturally

Meena came back to her company three months after her son's birth. Dolphin Interface provides day-care, so she brings William with her each day. The company is flexible with her time, allowing her to visit the infant whenever she wants. Meena nurses William at the center, except during lunch hour, when she brings him to her desk. She realizes that she should could easily feed William and work at the same time.

Now she brings him back to her workstation every few hours. However, several of her co-workers have told her that if she wants to breastfeed, she should do it elsewhere. They find it offensive and it distracts them from doing their work.

When her supervisor talks to her, Meena explains that she gets much more work done by staying at her desk than she did when she went to the child's center several times a day. Besides, no one in her culture would be bothered by breastfeeding. It is a normal thing for a mother to do.

What should Meena do? What should her supervisor do?

What is best for William? What is best for Dolphin Interface?

Case Scenario

Yi-Ching's good friends have asked him to give their twenty year-old son a job at his company. Yi-Ching has known Sharif since he was born and has always admired him for his intellect, his hard work, honesty, and dedication. His parents are proud of him, as he is a good son in every way.

Yi-Ching is happy to give him a chance and, in fact, Sharif doesn't disappoint him. He more than meets Yi-Ching's expectations and he looks forward to having Sharif work for him for a long time. Several months later his parents tell Yi-Ching that they are really worried about Sharif. He has turned moody and sullen at home. They have tried talking to him, but Sharif tells them that it is personal and he can take care of it by himself. He has never been rude to his parents before, but he says that he is now thinking of moving out of the family home and finding a flat on the other side of the city. They tell him that this is further from work than he now is and there is no public transportation. Nothing they can say or do makes any difference. Sharif gets more upset the more they try to reason with him. Something has gone wrong and they don't know what it is. They ask that Yi-Ching keep an eye out for him.

Yi-Ching begins to see what they were talking about. While Sharif continues to do his work, his attitude just isn't what Yi-Ching has known it to be. He tells Sharif that he is concerned. Sharif asks if his work has fallen off and Yi-Ching tell him that it hasn't. "Don't worry, I'll continue to do everything I need to," he says abruptly.

Sahrif's parents talk to Yi-Ching again, more worried than ever. In fact, they are afraid that he is doing something dangerous, not to others but to himself. They plead with Yi-Ching to tell them what he knows. He agrees.

One afternoon Yi-Ching sees Sharif looking upset. He follows him down the hall, wanting to talk to him. But before he has a chance, Yi-Ching discovers that he is whispering to Michael, a co-worker, around the corner and out of sight. Yi-Ching turns to go back to his office but Sharif and Michael are loud enough for Yi-Ching to hear what they are saying.

The two are squabbling and Yi-Ching can scarcely believe his ears. It is obvious now: the two men are having a lovers' quarrel. They are arguing about whether to continue to see each other or break up, move in together or find work in different companies.

CHAPTER SEVEN

Ethics in the Wider World

A Just Society

Morality demands that others' interests are taken into account. The starting point of ethics is that people matter, that they have interests just as you do, and that you need to coordinate your interests with others in a fair manner so as to produce the least amount of harm and the greatest amount of good. Some religions call this love, others loving-kindness; for some it is compassion, benevolence, mercy, pity, or charity; some call it empathy. While each of these is slightly different, they are variations on a theme. In all its varieties, the word represents the core motivation for being good and doing right. This value is a noble ideal, something to be striven for, but as with many aspects of ethics, it is abstract. The devil is in the details. The idea needs to be made real, even as you admit that it can never be perfectly applied.

The application of ethical values to problems in the real world isn't always easy. There are conflicts between two good values; there are conflicts in which the choice is between the lesser of two evils; there are conflicts between self-interest and the interest of others. Morality becomes even more difficult to apply (and easy to rationalize) in impersonal relations, such as those that you will find yourself in the business world. What is good for your customer, the shareholder, or client may not be the most profitable or financially beneficial for you.

Compassion is a bedrock moral value. But then what? While the answer may not always be clear in close relations, the consequences of your behavior—good or bad—is at least visible. You may not know the best thing to do but at least you know that what you do matters. You can see the outcome. But what does it mean to love or to be compassionate or benevolent to those you don't know and will never see? Concern for others may motivate you, but you really can't operate on the basis of care alone when you are in the wider, impersonal world. Benevolence is fine as the guiding value for small group morality. This is the realm of personal ethics. Social ethics demands something more than personal rectitude or kindness. Being considerate of those you know or may reasonably encounter in your daily life is different than, for example, balancing the need for profit with the effect company policies have on the environment. Seeing the effects of minimum wages on the lives of your neighbors may move you; demanding fair wages for workers half a world away is a different matter.

In the previous chapter, you saw that you have obligations to your neighbors. Whether you think of the motivation as love or compassion, the action that follows is taking their interests into consideration. What isn't so clear, however, is who your neighbors are. When you are asked to love your neighbor, which neighbor should you have in mind? Surely it includes the people in the flat upstairs and those who live next door. But what about those who live down the road or a few miles away? How about those who live in the next town or across the river? Let's say you live in Toronto, Canada. You can drive to New York, a foreign country, in less than two hours. Fellow Canadians in Vancouver are more than two thousand miles away. Are your "neighbors" Canadians or Americans?

The global village is a reality today. Within hours after the 9/11 attacks, at my home in New York, I received e-mails from my friends who live in rural Kenya. They don't have running water or electricity and they live 15 miles from the nearest cyber café, but they heard the tragic news and contacted me faster than it used to take for news to travel from one side of the river to the other. Today neighborhoods know no boundaries, no borders, no fences. So if you accept that you have the moral obligation to "love your neighbor as yourself," then you have to accept that you now have worldwide obligations.

Ethics places demands on you, but the obligations must be realizable. They are merely hypothetical and of no practical use if they demand something that can't be achieved. Loving all of your neighbors may fall into this category of an unrealistic demand. You may not love everyone even within your own family, and certainly you don't love everyone with the same intensity. Love, when applied to a wider circle, cannot be a moral requirement at all if you understand love in its common meaning. You may learn to love someone if you get to know him or her. But you can't get to know the more than six billion people who inhabit the planet.

Not being able to use moral emotions as a basis for ethics in business doesn't take you off the moral hook. In the sphere of social ethics it isn't the intensity of the feeling that matters but something quite different. At this level, ethical principles, and social justice in particular, play a major role. You are morally required to carry out duties to those you don't know because moral reasoning demands it of you.

Ethics and Justice: From Caring to Duty

When you deal with distant relations, you need to shift your focus from a specific individual to people in general. You know the names of your family members, you can know the names of those who live next door, you may know all those who work with you, but you can't know everyone everywhere by name. If you are a manufacturer, you certainly don't know the names of the consumers who buy your product or those who work in your factories. At this level of concern, you look at people not one at a time, as Jae or Xiadong, but as nameless buyers or employees. From an ethical point of view, your obligation is no longer caring for someone in particular but the duty that you have to people whether you know them or not.

In the previous chapters you saw that Adam Smith argues that behind your actions in the marketplace there must be a groundwork of ethics that you willing abide by. As many have argued, ethics is a way of life that aims towards the well-being of the general

population. Smith's point was that capitalism was the most efficient economic system to lead to that general welfare, but it worked only if morality remained central. The moral weight of any business or economy is the extent to which it contributes to the general well-being of the community.

You also know that certain conditions make happiness easier to achieve than others. Fairness is one factor. Those treated unfairly become resentful, even vengeful. A just system creates the groundwork for the possibility for stability, security, prosperity, and, thereby, happiness. Justice, at a minimum, is about fairness. Life may not be fair, but you must be fair in your business practices and society, through public pressure and legislation, the public must hold business to standard of fairness and decency..

To understand this shift in focus, consider the following. Aristotle argues that a good life is a life of human flourishing. This requires that you have certain "goods." It is easy to see that hunger and poverty impede your ability to flourish; additionally having good friends, experiencing pleasure, possessing good health, and being held in esteem by others contribute to your flourishing. The fact is, though, that some of us are born with more of these goods than others. This is a matter of luck. You can't choose to be born healthy, wealthy, or wise. You also know that you are more likely to live a good life if the society of which you are a part prospers, is stable, peaceful, and just. Life is more likely to be happy where the times and conditions are good rather than where they are harsh and vicious.

Your life as a businessperson is more fulfilling when you deal with others who are honest and fair. In fact, these are the very conditions that allow business to function. Therefore, as a prudential concern, it is desirable for society to be structured in such a way that at least some goods are provided even for the least advantaged. As a moral principle, it is only fair that some don't succeed at the expense of others. As a matter of conscience, you can't let some suffer when there is the chance to prevent or alleviate that suffering. This is the beginning of justice.

Defining Justice

There are different definitions of justice. Plato, for example, views justice as reason ruling over passion and ambition. It is the harmonious state of the soul that defines the just individual. For Aristotle, justice is present when communities or situations accord benefits to individuals because of their merit or virtue. Hume extends the notion of justice to include those with little or no virtue. He uses the example that if you borrow money from a seditious bigot you still have an obligation to return the money, even though society would be better off with a bankrupt bigot than a prosperous one. Justice requires fulfilling promises and repaying debts. Human rights are accorded to all individuals, whether they were good citizens or not. Even a corporate plunderer who leaves thousands destitute in the wake of massive corruption deserves not to be tortured. This person, too, has the right to a speedy and fair trial.

John Rawls' analysis of justice starts with the assumption that for groups larger than family, clan, or tribe, there need to be agreements about how to get along with strangers. Large groups cannot rely upon personal feelings to serve a complex, impersonal, and often anonymous conglomerate of people. Moral principles, derived from reason, must take priority over moral sentiments. Reason provides the moral rules that people willingly agree to because justice based on reason is the best way to regulate impersonal relations. The appeal isn't to one's moral character or moral emotions. Instead, reason directs us to rights and duties—namely, the claims people can legitimately make upon one another. Rawls regards justice as the most important moral principle of impersonal social institutions.

Rawls proposes a mental exercise to arrive at a notion of a just society. Suppose, he says, you don't know who you will be—rich or poor, black or white, male or female, employer or employee. Now, from behind this "veil of ignorance," you must choose the principles by which society ought to be governed. Since you don't know what position you hold in this hypothetical situation, Rawls believes that you will choose a principle that most closely benefits everyone. Rawls' concept is procedural and leaves the content open-

ended. Rawls provides a process by which people can engage each other as equals in deciding how to distribute the goods (and harms) of society. He gives us a place to start, and in doing so establishes at least one aspect of a just society: each person counts for one, not more or less. From this conclusion, Rawls proposes a constitution for governments (and by implication, a set of rights within the business community) that guarantees a variety of liberties such as speech, religion, and assembly. And finally, he proposes that any redistribution of wealth must benefit the least well off.

What Is Fair?

Equality

Definition: Having the same measure, quantity, or value as another.

Explanation: The standard of fairness is to treat everyone the same.

Example: Standardized test results alone determine college admission.

Equity

Definition: The quality of being just, impartial, or fair.

Explanation: The standard of fairness is adjusted for circumstances.

Example: Personal essays reflecting hardships overcome are also considered as part of the admissions process.

If justice demands that each person count for one, does it follow that everyone should be treated the same? Not necessarily. One way to understand justice is to say that each person gets what he or she deserves. This is the meaning of the biblical injunction of "an eye for an eye, a tooth for a tooth." Often misunderstood as barbaric and primitive, it is actually a call for equity. This means that petty offenses deserve small penalties, while grave offenses deserve severe punishments.

The same principle can be applied to ethics. It is no longer strict equality that is the standard but equity. To treat everyone fairly does not necessarily mean to treat everyone equally. Uniformity is appealing because you know what you're going to get, without prejudice. That's why, a few years ago, some legislatures removed the discretion of

judges to impose the length of sentences. Every crime received the same sentences. No mitigating circumstances are admissible. Life circumstances are moot. Sentencing under this system is swift and sure. What's missing, though, is judgment. A judge no longer judges but simply administers the law precisely as set down. In these instances, justice is sure but not just.

Case 7.1: Baseball and the Moving Strike Zones

American baseball homerun hitter Bob Horner played in Japan in 1987 while in the prime of his career. He played well for the Yakult Swallows but resigned the following year. He complained about unfair umpiring. As did other American players in Japan at that time, he claimed that umpires expanded the size of the strike zone [the imaginary box in front of the batter] for American players. The bigger the strike zone the easier it is for the pitcher to throw a strike. This forced the Americans to swing at more pitches than their Japanese counterparts.

Americans see this as unfair. A strike zone is a strike zone and it should be the same for everyone. If some players dominate, then so be it. The Japanese see it differently. It is unfair to others if one player dominates because he has an advantage over the others. Americans, they said, were bigger. In order to keep Americans from dominating the game in Japan, the rules had to be made harder for Americans.

Due to changes in diet and professional training of Japanese players, the physical advantage of American players has largely disappeared. American players no longer experience the expanded strike zone.

Were Japanese umpires unfair to Americans or fair to the Japanese players?

Were the umpires being responsive to Japanese fans who wanted to see a game of players of more-or-less equal ability?

Would umpires have been unfair to owners if the business of baseball were to collapse because of lack of fan interest due to the dominance by foreign players?

Justice as equity looks beyond the immediate situation and focuses on the broader picture. It takes context into consideration. Consider a situation in which a family of four is preparing to eat two fish for dinner. Equality demands that each person get half a fish.

Yet one person may be large, another slight, the third a young child, and the fourth a person on a medically restricted diet. Certainly, fairness requires something other than equal division.

Judgments become more complicated when you consider differences that can only be inferred and that result from historical and sociological factors. Unless you look at the circumstances surrounding someone's life, equal treatment might lead to greater inequalities. This was the dilemma faced by Japanese baseball when Americans were better trained than their Japanese counterparts. If the game were simply opened to the best players and many Americans chose to move to Japan, it would have been a sport dominated by foreigners. One could argue whether this would have been good or bad but the likely outcome couldn't be ignored.

Inequality, in and of itself, isn't immoral. What is bad is that some inequalities deprive others of the goods that are necessary to lead a virtuous and happy life. Extending the privileges of some at the expense of others makes it difficult for even the lucky to live virtuously. An analogy is the flow of blood through the body. Health requires that all parts of the body receive the nourishment that blood brings. If there is a stoppage in the artery in one part of the body, another part is injured. Privilege is similar to clogged arteries in that when the goods of society accumulate amongst a few, others suffer. Riches are goods, but goods need constant re-circulation in order for society as a whole to remain healthy.

In most countries there are categories of people who, for historical and cultural reasons, are less privileged. They are endowed with fewer resources and fewer opportunities than others because they happen to belong to a group that has been held back, not because of lack of individual effort or talent, but because of previous inequities in the system. If this is an accurate description of a group, then treating those in this group by the same standard that is used to judge the more privileged group may not be just. To treat everyone identically is to overlook the different life circumstances of individuals. While from one perspective to treat a person as a member of a group is unfair, from another

perspective it is reasonable and just.

Affirmative Action/Positive Discrimination

Affirmative action, as it is known in some places, or positive discrimination, as it is known in others, is a set of programs and policies that gives preferences to a group to compensate for past socially sanctioned discrimination. While affirmative action has been largely an American phenomenon that centers on race and gender, the issues that it raises are present in any country in which religious, ethnic, or economic groups have been disadvantaged either through law or custom.

The moral objections to positive discrimination rest on two basic points. One is whether by treating a person as part of a group rather than as an individual you are opening up other possible avenues of moral abuse, such as ignoring a person's uniqueness and thereby treating people as objects rather than subjects, as statistics rather than human beings. The second objection is that if you accept the contention that a particular group is disadvantaged relative to another group, you are logically led to consider other difficult and, for some, unanswerable questions, such as who belongs to which group, who decides the nature of a group, and which groups are more or less privileged than others?

Countering the first objection is the view that it is possible to see that your uniqueness is enhanced, not diminished, when you are viewed as a member of a particular group. It acknowledges that that you are who you are because of the relationships you have, the groups that shape your personality, and the culture that largely constitutes your reality. But the caution against treating people as abstractions is well taken.

The second objection is a practical matter. French census figures don't acknowledge ethnic differences. Whatever the national origins, whatever the religion, whatever the race, all are French. The United States census bureau often reshuffles ethnic and racial categories. These are fluid, not fixed, affiliations that serve practical as well as psychological needs. The affirmative action debate can be understood as addressing this

question: What is the best way of bringing justice to bear upon a past injustice? To put it more directly, individuals who have caused harm to another have a duty to repair the wrongful losses. Still, questions hang: who caused the harm to whom, and what are the damages? If the harms are historical in nature, what present-day individuals are to be held liable, and who are the individuals to whom damages should be paid?

Case 7.2: During the 1980s, many professional basketball teams in the United States had white players who occupied the last seat on the bench, seldom getting into a game. The widespread assumption was that owners needed to appeal to their fan base, which was mainly white, by having at least one player they could identify with. If true, this was a form of affirmative action.

Today many players in the National Basketball Association come from European clubs. Some complain that America's game is being over-run by foreigners.

Do you think that affirmative action has a place in professional sports?

Do you think that positions on a professional team should be judged strictly by ability of an athlete to perform, or do you think that the profitability of a team should be a factor?

Do you think that all athletes should be treated identically or should, for example, a professional golfer with a heart condition be allowed to use a golf cart while all others are required to walk?

Should this be a business decision at all?

Having said this, the fact remains that in America white males receive greater wages and more significant advancements than do African-Americans and other minority groups, as well as women. The 1995 Federal Glass Ceiling Commission reported that 97% of senior managers of Fortune 500 companies were white, and 95% were male; where women and minorities were in high place, their compensation was lower than white males. African-Americans with professional degrees earned 80% of the amount of white males who held the same degree and were in same job category. A decade after graduating from Stanford University Business School, men were eight times more likely to be CEOs than women.

Furthermore, relatively few women or African Americans were in marketing, sales, or production. Instead, they were found in human resources, research, and administration, not lines likely to lead to the top of corporate hierarchy.

The disparities in wealth between African Americans and white Americans persist. The Kirwin Institute for the Study of Race & Ethnicity at The Ohio State University reports that in 2004 middle class African Americans possessed 15% of the wealth held by middle class whites; the average white Americans' median net worth was twelve times that of African Americans; it was twice as difficult for blacks to obtain a mortgage as it was for whites with comparable incomes; and it is three times as difficult for blacks to gain employment in the service sector as whites.

What Do Individuals Owe to Businesses?

You care for individuals and have moral obligations to people in general, but do you have ethical responsibilities in relation to a business? Many people don't seem to think so. Ask them how they feel about getting extra money from an ATM, having a credit card company not list a charge, or finding money that flies out the back of an armored truck. The people didn't earn the money, but they didn't steal it either. Or did they?

“Finders keepers, losers weepers,” chants a jubilant child who found a lost item. The moral question is whether finders should remain keepers. Not everything a person owns must have been earned. Some people are blessed by good fortune by being in the right place at the right time or knowing the right person or simply having been born into the right family. But the argument for keeping the money isn't one of good luck as it is that businesses don't deserve to be treated in the same way as individuals. If you find a wallet with a name in it, for example, you are likely to return it. Why? Because you can now connect the wallet to a specific individual, a person who you can imagine is upset about the loss. The money is returned as an act of caring.

Examples of Three Ethical Approaches to Justice

Justice as Virtue

Torture, per se, is not lethal, and its victims can be far from innocent, but the moral revulsion it provokes has a special sharpness, and in this lies the deepest reason to abjure it. In war, valor is possible; comradeship is possible; heroism is possible. Even terrorism and assassination can offer scope for an ugly kind of courage. But, just as the victims of torture are utterly helpless, the perpetrators of it are utterly debased. Like capital punishment, torture is abhorrent not only for what it does to the tortured but for what it makes of the torturer. It is the perfect opposite of what you wish to become.

Hendrick Hertzberg

Justice as Consequences

War is an ugly thing, but not the ugliest of things: the decayed and degraded state of moral and patriotic feeling which thinks nothing worth a war, is worse.... A war to protect other human beings against tyrannical injustice; a war to give victory to their own ideas of right and good, and which is their own war, carried on for an honest purpose by their own free choice—is often the means of their regeneration.

John Stuart Mill

Justice as Principle

Evaluating risks is not the same thing as making moral choices. It is impossible to be certain that improving human rights of 25 million people is worth the cost because no one knows what the cost will be. Besides, even if the cost could be known, what the philosophers call consequential justifications that 25 million people will live better runs smack against deontological objections, namely that good consequences cannot justify killing people. I think the consequentialist justifications can override the deontological ones, but only if the gains in human freedom are large and the human costs are low.

Michael Ignatieff

People care about specifics, about particulars, about things that they can picture. But how do you picture a corporation, that abstract and often large entity that seems to be soulless? It would be odd to think that you care about a business unless it was your own or a small one, such as a neighborhood shop. The impersonality of business is what blurs ethical lines. (Some employees will steal from the company, but would never dream of stealing from a person.) When you get something for "free" from a business, you benefit, while it appears that no one is hurt in return.

However, real harm does occur when theft occurs, even when small. The first measure is a consequentialist one: someone is adversely affected, whether it is owners, other employees, stockholders, or managers. A thief's gain is someone else's loss. The driver of the armored car may be fired, or the person who programmed the ATM may be held accountable. The consequences may be more diffuse, with the cumulative effect being the real problem. The business may suffer a loss, and this loss is in turn passed on to real people in terms of lower salaries or smaller dividends. On one level, a business is artificial and impersonal. On another, it is composed of real people whose lives are affected by its success or failure. According to David Callahan, close to 80% of all employees steal or consider stealing from their workplace. It is estimated that employee theft is more than 5% of the Gross Domestic Product.

Theft and Culture

In China, employees may be executed for stealing from the company they work for. In Saudi Arabia, workers may have an appendage amputated for a similar crime. In America, notoriety may lead to a movie contract.

The second harm is the one you do to yourself. If you are serious about ethics, then you must be concerned with whether or not you act ethically. You ask yourself if you are really justified in keeping something that doesn't belong to you, and, if not, what kind of person are you if you rationalize taking something that doesn't belong to you? This is the virtue approach to ethics.

The State: What Obligations Do You Have?

Our thought journey in this book began with what you owe to those closest to you and

moved to the groups around you. You now move on to the largest organized group that you encounter—the state. Once again, you will find that it is most useful to think about justice to this institution in terms that come closer to that of duty than that of consequentialism or virtue ethics.

Very large institutions constantly make demands on you. The state requires that you pay taxes in order to share the burdens of a common life. In a sense, you have made a deal. You give the state a portion of your wealth, and in return you receive police, fire, and military protection. You also give a portion of your wealth to ensure your health by the state providing guards against contaminated food, unclean water, and polluted air. Some of the wealth you give to the state isn't a trade off for your own benefit, but goes to others to provide them with the material necessary for a good life. Taxes support schools even if you don't have school-age children, the inspection of the food supply even though you may only eat what you grow yourself, and various welfare programs although you may never need or utilize any yourself.

As a member of a state, you have fairly strong obligations to other citizens. As citizens, you have rights—and all rights entail obligations. If you have the right not to be exploited by others, you give up your freedom to exploit others. Once you enter into relations of any kind, you give up your right to do anything you want, any time you want.

Is there a limit to what you owe the state? Tyrannies have no limits, but democracies do because they rest upon respect for persons. Therefore, people are taxed, but the state doesn't confiscate their property, at least not without due process, and only with good cause. The state is justified in demanding that you contribute to the common good when the purpose is to protect citizens against harm (for example, by paying for the police department) and to provide for a good that benefits the community (for example, by condemning property to build a road). There are circumstances under which the state can demand more. It can ask that you sacrifice a great deal, even that you put your life at stake; when the existence of the state itself is threatened, the state has the right to call upon its citizens to defend it. This raises enormous questions the answers to which turn

on facts and interpretation of facts, such as: Who determines whether there is a threat? Is the threat real or imagined? Is it imminent? Are there alternatives, short of calling for the sacrifice of liberty and life? Is anyone exempt from the call?

Case Scenario

Theo, a native-born American, and Sanjay, recently from Pakistan, are co-workers at Computer Data International in New York. Soon after the attack on the World Trade Center, Sanjay received a few hostile stares and comments at the office. Theo defended Sanjay and re-assured him that only a few bigots were giving him a hard time. Most Americans weren't like that. America is a country of immigrants, he tells Sanjay. Sanjay appreciates his colleague's support.

While having coffee at a nearby cafe, Theo is met by FBI agents who ask him some questions about Sanjay. They lead Theo to believe that they are checking out a connection that Sanjay may have to a terrorist group. Theo answers all their inquiries, but as the questioning continues he has second thoughts. Finally, he tells the agents his qualms and refuses to say any more. The agents imply that he is required to respond, but Theo remains silent and the agents leave.

When he returns to his office, he sees Sanjay. He thinks back to previous conversations with him and begins to have some doubts about Sanjay's innocence. He knows nothing about Sanjay's background; Sanjay is secretive about his life in the States. He has turned down Theo whenever Theo suggests they get together for dinner or for a drink. He has never been to Sanjay's home. In fact, he realizes that he doesn't even know where Sanjay lives or with whom.

Theo is completely ignorant about Sanjay's family in Pakistan. Sanjay never talks about his past. Actually, he doesn't talk about his personal life at all. Theo realizes that Sanjay, unlike most others, has no pictures of family on his desk.

Theo wonders whether the FBI agents were right. Sanjay certainly is secretive. The more he think about Sanjay the uneasier he becomes. But then he is taken by a shock of guilt. Sanjay has never done anything to rouse Theo's suspicions before; the suspicions were planted by the FBI during their visit. So he shakes off his doubts about his co-worker as unfair and decides to tell Sanjay about the FBI visit. He also decides not to tell his boss that the FBI was looking at Sanjay.

CHAPTER EIGHT

Business and the Public

Matters of Life and Death

The last chapter focused on the obligations individuals have to institutions. Here the focus is reversed, as we examine the responsibilities business has to individuals. Does business as such have ethical obligations? Nobel Prize economist Milton Friedman says, no. “Only people can have responsibilities,” he writes. “A corporation is an artificial person and in this sense may have artificial responsibilities, but ‘business’ as a whole cannot be said to have responsibilities, even in this vague sense.” The social responsibility of business, he continues, is to increase profits. Consistent with Adam Smith’s view, Friedman contends that the most desirable social ends are accomplished if business remains targeted to its primary—and, to Friedman, exclusive—goal. This is contrary to a countervailing idea summarized under the rubric of corporate accountability.

Corporate social responsibility acknowledges that decisions impact the community as well as the business at hand. It recognizes that there are stakeholders external to the company. In giving its annual award, Business-Ethics.com considers seven stakeholders: shareholders, community, minorities and women; employees, environment, non-U.S. stakeholders, and customers. And as with any consideration of ethics, the question becomes what are the harms or benefits that flow from decisions. The costs to the community are often more difficult to see than actions taken by individuals against other individuals, as the impact tends to be more diffuse. Large structures, hierarchies, and

bureaucracies have a way of spreading responsibility so thin that in the end no one seems accountable.

There is the additional problem in measuring moral costs. Financial profits and losses are fairly easy to calculate; social benefits and harms are difficult to compute. Indeed, there is no consensus on what moral harms are or how to measure them. But difficult doesn't mean impossible. Nor does it mean that moral harms should be ignored. Just as individuals balance financial gains with moral concerns, ethical institutions need to do the same.

Case 8.1: To Inform or Not to Inform

Bella owns Gorgeous Underwear and Apparel, a manufacturer with offices in New York and a factory in Pennsylvania. A supporter of the labor movement, Bella has always negotiated contracts in good faith. Indeed, there has never been a strike at GUA, and the wages paid are the best in the industry. Over the years, Bella has gotten to know all the workers and their families. She sends cards for their birthdays, graduation gifts for their children, presents for their children's weddings, and even attends funerals for retired workers.

Officials representing the union are not very effective. During contract negotiations, the demands they make are modest. Bella knows that without the union, GUA would offer a better deal than the workers are getting because of the union.

Does she inform the factory workers that their union representatives aren't serving their best interests and they would be better off getting stronger officials?

Small businesses often succeed or fail based on their reputation for fair dealing. Operating in fairly tight communities customers know how they treat their employees, whether they contribute to their neighborhoods, and so forth. The integrity of a small business is largely transparent. Large businesses are different in this regard. Advocates of corporate social responsibility contend that market forces aren't sufficient to correct abuses in working conditions, mitigating the effects upon the environment, or in fair

dealings with the public, for example. The Corporate Responsibility Coalition, in the United Kingdom, notes that market mechanisms rely upon informed consumers, and only a minority of consumers is sufficiently informed or interested in the working conditions of those producing the goods they consume or in the impact that the product has on the environment. Since there is a cost attached to making the workplace safe or the environment healthy, far from punishing those that exploit workers or create environmental hazards, market pressure forces businesses to keep prices low even if their practices are unethical. If business concerns encompass only stockholders and consumers, many moral issues are dismissed as being contrary to good business since they don't contribute to profits. Recognizing this problem, France, Denmark, the Netherlands, Norway, and Sweden require business reporting on social and environmental issues.

This isn't to say that fair wages, good working conditions, product safety, and environmental concerns are bad for business. Indeed, where there is a critical, even though small, number of people concerned with these issues, being socially responsible can be profitable. This happens when enough consumers are guided in their purchases by a moral sense and favor companies that exhibit a moral conscience. Ethically responsible business practices, then, become part of the product brand. The fair trade movement, for example, indicates that there are customers willing to buy coffee, tea, cocoa, and other items from poorer countries at higher prices in order to support fair incomes for small businesses.

As always, though, the harder questions involve conflicts concerning doing the right thing, self-interest, and choosing between competing moral values. In a competitive setting, it is often hard to know what the right thing is since there are a variety of stakeholders whose interests may not coincide.

The Workplace

The Talmud, the ancient book of Jewish laws and commentaries, says a workman's rights always take precedence over those of his employer. A basic right of a worker is the right to a livelihood. How much compensation should people get for their work? This is an ethical question that presents itself in stark terms at both ends of the compensation scale. At one end there are those who labor for an entire day for less than one US dollar, as is the case in many Third World countries. When workers are employed at foreign-owned companies, decisions about wages are ultimately made abroad. Compared to US standards, the pay is exploitative. Within the context of the Third World country, the pay may be above the national standard. In 1997 the \$2 per day earned by workers at a Nike subsidiary in Indonesia were in the top third of population by income. According to Peter Hancock's 1997 report, "Nike's Satanic Factories in West Java (Indonesia)" on working conditions in that country, the average workday is more than 11 hours and more than 80% of workers work seven days a week. "Workers who take sick leave are dismissed instantly, irrespective of whether they have a doctor's certificate. This puts pressure on them to work in these extreme conditions even when they are sick. In one case a woman fainted on the job, was not taken to the medical clinic, and later died." Despite this, many workers reported being satisfied. They prefer working under these conditions than not working at all. At \$2 per day, they were at least \$1 over the poverty level.

At the other end of the scale are CEOs whose compensation packages are in the multi-millions of dollars. According to a 2003 AFL-CIO report, the average CEO of a major company received \$9.2 million in total compensation. The chief executive of Marsh & McLennan Companies, a global professional services firm, received more than \$325 million. (MMC's code of ethics reads, "MMC strives to offer all colleagues an equal opportunity to meet work goals, and be recognized and rewarded for their good work.")

Compensation for executives is as much an ethical decision as it is a business one. A corporate-pay case in Germany in 2004 makes this point. The chief executive and three other former board members of Mannesmann, a telecommunication conglomerate, were

charged with betraying the interests of shareholders by paying the CEO \$70 million in bonuses. Although the court found that they were not criminally liable, the judge found that such a large sum violated Germany's corporate law and referred the case to civil court. The monetary awards also violated German moral sensibilities, which view such huge bonuses as greed, a moral vice. Few such laws exist in other countries. However, in 2005 Coca-Cola, as a result of pressure from one of its big shareholders, adopted a new policy requiring that its stockholders, not board, approve of executive severance agreements that amount to at least 2.99 times the recipient's annual salary and bonus.

United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights

D. Rights of workers

5. Transnational corporations and other business enterprises shall not use forced or compulsory labour as forbidden by the relevant international instruments and national legislation as well as international human rights and humanitarian law.

6. Transnational corporations and other business enterprises shall respect the rights of children to be protected from economic exploitation as forbidden by the relevant international instruments and national legislation as well as international human rights and humanitarian law.

7. Transnational corporations and other business enterprises shall provide a safe and healthy working environment as set forth in relevant international instruments and national legislation as well as international human rights and humanitarian law.

8. Transnational corporations and other business enterprises shall provide workers with remuneration that ensures an adequate standard of living for them and their families. Such remuneration shall take due account of their needs for adequate living conditions with a view towards progressive improvement.

United Nations Sub-Commission
on the Promotion and Protection of
Human Rights

The average pay for the CEO at major American companies increased by more than 10% in 2004 while the corporations were at the same time renegeing on pensions and lower-level workers were forced into health benefit givebacks. Edgar S. Woolard Jr., chairman of the New York Stock Exchange compensation committee, wonders “why more C.E.O.’s aren’t concerned about the image of business leaders in general. They don’t seem to have the same perception that I do, that business leaders are beginning to be thought of as politicians and labor union leaders and other types of individuals who don’t have the right respect. So I’m speaking out because I would like to encourage other current CEO’s to provide the leadership to begin to make the change to more rational compensation.”

Brent Longnecker, an expert on compensation for the United States Labor Department writes, “If the buck stops at the CEO’s desk, it starts at the desk of the human resources department and compensation committee. This is where a company’s ethical culture begins: What kinds of people are hired and how are they compensated? And how will this compensation package affect future behavior? Does it lend itself to ethical behavior, or does it lend itself to temptation?” Longnecker could also have asked, “Does it breed resentment and a sense of being treated unfairly? Does it lead to an economic aristocracy that undermines democratic processes? Does it create class warfare?”

Working conditions for the poorest employees and pay packages for the wealthiest are part of the ethical values of a company. The use and distribution of money, as always, is conjoined with ethics.

Some pose business decision making as setting prices and paying wages based upon what the market will bear. Good ethical decision making asks what the conscience will bear. It is the tension between bottom line thinking and ethical thinking that needs careful negotiating. Business needs to stay in business, and you need to remain ethical. Australian managers, for example, identified human rights violations as an issue for them in their international dealings. Child labor and harsh working conditions in the textile

industry, worker exploitation in the IT industry, and discrimination based on gender and race in the mining and textile industries violated their sense of ethical values, presenting them with ethical dilemmas. There is both the imperative for profitability and the desire to not cause harm. When a competitor is driven solely by profitability, it becomes increasingly difficult to maintain high ethical standards. Regulatory mechanisms level the ethical playing field by preventing unethical behavior from having a competitive edge. The need to remain competitive is often so great that an ethical business environment cannot rest on individual integrity alone.

Consumer pressure can alter business practices for the better. The threat of consumer boycotts plus editorial exposure of working conditions led several multinational corporations to introduce codes of ethics based upon human rights standards. Corporations adopting such codes adopt threshold conditions, which, if not met, mean the company will not use the sub-contractor and compliance officers issue reports indicating whether the manufacturer should move ahead with the contract with the factory.

Reebok International states that its

devotion to human rights worldwide is a hallmark of our corporate culture. As a corporation in an ever-more global economy, we will not be indifferent to the standards of our business partners around the world. We believe that the incorporation of internationally recognized human rights standards into our business practice improves worker morale and results in a higher quality working environment and higher quality products. In developing this policy, we have sought to use standards that are fair, that are appropriate to diverse cultures and that encourage workers to take pride in their work. Reebok will apply the Reebok Human Rights Production Standards in our selection of business partners. Reebok will seek compliance with these standards by our contractors, subcontractors, suppliers and other business partners. To assure proper implementation of this policy Reebok will seek business partners that allow Reebok full knowledge of the production facilities used and will undertake affirmative measures, such as on-site inspection of production facilities, to implement and

monitor these standards.

Sample of Reebok's Compliance Issues

Standard	Threshold Issue	Explanation of Threshold Issue
Fair Wages	Minimum Wage and Proper Overtime Wage	All workers (including piece rate workers and trainees) must be paid at least minimum wage for all hours worked and proper overtime wages in accordance with local law or industry practice—whichever is higher.
No Child Labor	Child Labor	Factories must not employ workers under the age of 15, or under the legal minimum working age. No orders may be placed with factories that employ children. There are no exceptions to this rule. Factories must comply with restrictions for workers under the age of 18, specifically regulations related to work in hazardous positions.
No Forced Labor	Forced Labor	Factories must not use forced or compulsory labor, including prison labor, indentured labor, or bonded labor. This includes 1. Holding original worker documentation (for example, passports); 2. Binding workers to pay off a debt to the factory or third party; 3. Withholding pay as a method of retaining workers.
Health and Safety	Major Health & Safety Violations Poor Fire Safety	Major health and safety concerns are conditions that put workers at great risk of damage to their person or personal health. These include: 1. Use of banned chemicals or restricted toxic chemicals; 2. Severe operational safety violations. Factories must be adequately prepared to appropriately respond to a fire emergency. Specifically, factories must have at minimum: 1. Unlocked and clearly marked emergency exits with emergency lights, sufficient in number and distance; 2. Sufficient & operating fire extinguishers; 3. At least one fire drill within the last six months. Above applies to production areas and dormitories.

The Natural Environment

Health and safety are ethical matters since human flourishing is enhanced when people are healthy and safe. Many human activities have an effect on the surroundings and not all contribute to greater health or safety. As human population increases along with production and consumption demands, the impact on nature grows. An important and critical role for ethics is first to see that whatever communal harms are created by businesses are equitably distributed. No one group should prosper at the expense of others' suffering.

While some businesses pay scant attention to environmental concerns, others, either voluntarily or in response to government regulations, adopt a variety of strategies to manage this matter. Some have well-formulated strategies; others respond by dealing with issues on a case-by-case basis. Some adhere to the law, doing as little as possible, while a few are pro-active and innovative, not waiting for an accident to occur, threats of criminal, civil action, or the embarrassment of public exposure. A comparative study of British and German managerial responses to the environment found that

the environmental management routines adopted in each country were broadly similar. In both countries, the commonest routines were an initial environmental review; procedures for ensuring legal compliance; a written environmental policy, and the clear definition of responsibilities. Few firms in either country had implemented more sophisticated approaches such as market research on the potential of green products, product life-cycle analysis, benchmarking or eco-labeling. At the operational level too, the procedures most frequently adopted in the two countries were similar, with packaging recycling, material recycling, and the reduction of energy use at the head of the list. On the other hand, procedures such as the use of waste streams from other firms, the substitution of non-renewable materials, and green product design were equally rare in both countries.

The study reveals that, by and large, environmental responsibility is defined within the context of legal compliance.

Environmental Disasters Caused by Businesses

1976—Seveso, northern Italy: An explosion at ICMESA released a toxic cloud of dioxin. Highly poisonous in small quantities, the cloud contaminated a densely populated area of about six square kilometers, causing the evacuation of 600 homes. More than 2,000 were treated for dioxin poisoning.

1979—Alaska Peninsula: Approximately 200 miles of the 1,300 miles of remote shoreline affected by an oil spill from the *Exxon Valdez* was heavy, seriously damaging wildlife in the region. This is considered the worst spill in terms of environmental damage.

1984—Bhopal, India: A methyl isocyanate leak at the Union Carbide factory caused more than 2,500 deaths.

2000—Baia Mare, Romania: In Central and Eastern Europe's biggest fresh water disaster, cyanide spilled out of a gold mine owned by Aural, an Austrian-Romanian joint venture company, at levels 700 times above normal levels. The amount of pollution in the Tisza River was equal to 60 million lethal doses for humans. Hundreds of tons of fish were destroyed and the drinking water for more than two million people was poisoned.

2005—Harbin, China: An explosion in a chemical plant upstream from this city of nearly four million people released a 50-mile slick of toxic benzene causing authorities to shut down the municipal water system and stop pumping from the Songhua River. There was no running water for nearly a week. Schools and businesses were shut as water was trucked in from other parts of the country. If water hadn't been shut down, environmentalists said, the results would have been unimaginably disastrous.

Legal compliance, as argued elsewhere, is not necessarily the same as ethical responsibility. The law provides a minimal framework for morality and is far from covering many serious ethical issues. In fact, many industrial disasters have occurred even when companies haven't acted illegally. Two moral questions arise: should companies factor into the cost of doing business the possible consequences of their activities, whatever the legal requirements; and do the ex post facto responsibilities

extend beyond legal liabilities. Are there moral obligations beyond legal ones?

As a result of the accident at the ICMESA factory in Italy, the European Community created the Seveso Directive, in 1982, to regulate industry, as it became clear that existing regulations were inadequate. For example, although ICMESA had been operating for more than 30 years, no one in the community knew that the plant was a source of risk. It took 10 days until dioxin was publicly identified and another 10 days before there was a clear plan as to what to do. The Directive establishes the principle of “need to know.” The Directive has two purposes: to provide protection against hazards and to equalize the burden of regulation on industry. “The creation of a single hazardous industry code ensures a ‘level playing field’ for trade within the European Community by depriving unscrupulous industrial operators of competitive advantages that might flow from exploiting differences among varied national regulations,” B. De Marchi explains. But the authors of this report also raise the question whether having such regulations as now exist in fact lower a company’s moral responsibility.

Case 8.2: Most apparel assembling has moved offshore, where the cost of doing business is cheaper due to lower wages and less strict environmental regulations. GUA is now the only factory left in an area hard-hit by unemployment.

Bella knows that if workers continue to demand raises and benefits that have become standard for her company, she will have to fire some employees and, in the next few years, will have to close the factory completely and outsource production in countries with questionable human rights practices. One of her New York staff is already visiting various locations in Asia and Central America.

Bella decides that the workers in her factory shouldn’t be told about the possibilities and plans for GUA.

Does Bella have the right to insist that those in the New York office not tell their fellow employees in Pennsylvania about the possible plans? Does Bella have an obligation to give her employees enough time to make alternative plans?

Is GUA obligated to train its workers for other kinds of work?

Assuming that nothing is perfect and that despite all the best efforts, industrial accidents will continue to occur, will a company assume that it has done its moral duty by pointing to the fact that it was in compliance with the law? The acceptance of legal liability may undercut the acceptance of moral responsibility. It is a moral paradox that is found in the more familiar form of those who take increased risks once they know an insurer will pay.

Product Safety

If you wrongfully harm another, there is an ethical requirement to compensate the person harmed. This is the basis of the tort law, which states that you are liable for acts of negligence. Product liability suits revolve around this idea that companies can wrongfully harm others. General Motors was liable for the injuries suffered by the driver of a Corvair when the steering column of his car struck him in the head during a collision. GM, the court ruled, had a duty to design a product so that it would fairly meet any emergency use that can reasonably be anticipated. Collisions can reasonably be anticipated. Therefore, GM's design that turned a steering column into a spear aimed at a driver's head was wrongfully negligent.

Tobacco isn't harmful in and of itself. But tobacco products are. While cigarette smoking is pleasurable, it is also inherently dangerous to your health. So cigarette packages in America contain warnings from the Surgeon General. A small percentage of people are allergic to peanuts, but the allergic reaction can be deadly, so airlines in parts of the world no longer serve peanuts onboard. In the United States, The Consumer Product Safety Commission, Food and Drug Administration, and Highway Traffic Safety Administration are all charged with keeping consumers safe from products that can wrongfully harm. Counterparts can be found in most other countries.

Nothing, no matter how innocuous or mundane, is completely safe—you can fall out of bed, choke on a bone, have a stroke while walking. Highways shouldn't buckle in earthquakes but occasionally they do. So, when authorities are designing a highway, how strong an earthquake should it be designed to withstand? And in building an office building, for what category hurricane does the engineer design? This last became real for William Le Messurier, in 1978 when, upon re-examining the newly complete Citicorp building in Manhattan, he concluded that the 59-story building had a 1 in 16 chance of collapsing during a severe hurricane. LeMessurier, the chief structural engineer who supervised the award-winning Citicorp's construction, warned the board of the possibility of a catastrophe, even if remote. Citicorp had no legal responsibility to act since the construction had conformed to existing building codes and had met minimum standards. But lives were potentially at stake. Le Messurier convinced Citicorp to replace 200 bolted joints in the building, a task taken in secret after informing local building authorities, the Red Cross, and emergency response agencies, so as not to alarm tenants and investors, a work so secret that it didn't become public until 1995. The repair cost \$4.3 million and the building can now withstand a once in 700 hundred-year storm. The repair was a moral choice based on the outside possibility that the building posed a severe hazard under unlikely weather circumstances. In all likelihood, the engineering weakness would never have been known without Le Messurier's bringing it to the attention of the board.

But there was another ethical dimension to the decision. Did Citicorp have an obligation to inform the general public that the building was potentially unsafe and that it was under repair? The Red Cross estimated that if the building collapsed, 200,000 people could be killed. The National Society of Professional Engineers (NSPE) Board of Ethical Review (BER) considered a hypothetical situation based on the Citicorp case and concluded that while "[t]he desire to avoid public panic is certainly a legitimate factor in deciding on a course of action . . .withholding critical information from thousands of individuals whose safety is compromised over a significant period of time is not a valid alternative . . . ”

Case 8.3: Much research has led to GUA's choice of a factory offshore. Before they can begin importing, however, the company needs to know that the clothing made there will be compliant with US safety standards. Bella orders tests on a sample from the Sellable Wear, the manufacturer in Bangladesh.

The results indicate that the material is compliant with the law. However, just as Bella is ready to sign the contract, her head buyer recognizes that a chemical in the fabric is one that GUA no longer uses because there is a suspicion that it causes cancer in children. Although not banned by the government, GUA had decided not to use it at their American plant because of the potential health hazard it posed.

If GUA demands the Asian factory change its formula, it could take months, if not years, before they could begin manufacturing. Bella does some investigation and realizes that all overseas factories use the chemical in question.

What choices does Bella face? What should she do?

The Ecosystem

The issues embedded in the Citicorp story apply to other situations as well. For example, what responsibilities do car manufacturers have to produce safe cars, cars with low emissions and high gas mileage, cars that have re-usable and recyclable parts? Are these matters for consumers to determine for themselves, thereby alleviating car companies of moral responsibilities? In China, the use of disposable chopsticks is responsible for 25 million trees a year being cut down in forests as far away as Africa and South America. Should individuals in China use their hands instead, as one environmentalist suggested, or should the government require that utensils be made from more environmentally friendly

materials?

Case 8.4: Bella has nagging doubts about Sellable Wear and decides to make a visit to Bangladesh herself. The owner of SW tells Bella that it found a substitute chemical for the one that GUA had found objectionable and they will be able to start production as scheduled. Bella is skeptical about the new formula but not being a chemist herself, she decides to trust the manager's word. But still something bothers her. She knows about the stories of harsh working conditions in Bangladesh.

Before leaving Dacca, Bella is taken to a cinderblock building in a part of the city where there are no paved roads or running water. Inside the factory it is stifling hot and noisy as hundreds of sewing machines whirr. She can barely stand the smell of the latrine, the floors are dirty, and there is only one window letting in sunlight.

She sees that there is a code of human rights hanging on the wall. It is in English and she wonders how many of the workers either speak English or are literate. There is an emergency door that is clearly marked and there is a fire extinguisher near the exit. There is no inspection sticker with the extinguisher, so Bella doesn't know whether it is in working order. The manager assures her that the factory meets all safety and fire ordinances. They had had a fire drill just last month.

Bella asks about wages. She is assured that workers are paid a few cents more per day than the legal minimum wage. Many laborers choose to work overtime and they are paid accordingly and within the law.

The factory appears to meet accepted human rights standards in the workplace. But one matter continues to nag. When looking at the young women in the factory, Bella thinks about her own family at home. Many of the workers looked

no older than her 10 year-old daughter. Child labor is also contrary to human rights standards. But when she asks the manager about the young workers, she is assured that none are under the legal age. Bangladeshis just look younger than Americans of the same age. Since Bella can't talk to the workers herself, she must rely upon the manager's telling her the truth.

She talks to the manager about her qualms. "If these girls didn't work here, they wouldn't work at all," he explains. "Their families want them to work. It's what keeps the family out of poverty. They would be living beside the railroad tracks in cardboard shacks if we didn't employ them. It is a good thing we are doing."

Bella meets with her staff when she returns to GUA. She tells them that SW is non-compliant in the area of child labor. GUA's sourcing department says that no other factory will be any better, so they should go ahead with the contract. Others accept SW's manager's argument that the workers and their families want the girls to work. It is better than the alternative.

Bella visualizes her daughter's face in her mind and decides against the contract.

Did she do the right thing? Why or why not?

In all business decisions, there is a balance between finding a competitive advantage and doing the right thing. The competitive pressures can sometimes be so great that the public suffers as a result. For example, some corporations, such as Delta Airlines, filed for bankruptcy because it had a gap of \$16 billion between its pension promises to its employees and the assets in its pension fund. Delta could have chosen otherwise. During profitable years, it paid its investors dividends (a discretionary and voluntary decision) at the expense of saving for future pension payouts (a promise made to employees as a matter of contract).

When the possibilities for harm are great and the possibilities for profit are large, there is

a greater for the counterweight of regulation. Climatic change is one such issue. The vast majority of scientists believe that as a result of burning fossil fuels the atmosphere is heating up. This is causing ice caps to melt, glaciers to evaporate and storms to become more violent, leading to drought, fires, floods, disease, and unknowable changes in the ecosystem. The United States produces 25% of the world's carbon dioxide, the major contributor to global warming. Vehicle emissions, industrial facilities and power plants are the primary sources of carbon dioxide. China is the world's second largest producer of greenhouse gasses and will soon become the biggest. A Chinese research institute found that 400,000 Chinese die each year from air pollution. The same pollution can account for 25% of the particulate matter in Los Angeles on certain days. More than half of China's rivers and lakes are polluted. The dilemma facing China's leaders is stark: continue to poison the environment or risk social instability as a result of an economic slowdown.

Industry resists change when it isn't in its immediate economic interests to do so and when others may take advantage of lower pricing by not changing. Automobile companies, for example, resisted installing seat belts, catalytic converters, and air bags. It took a combination of adverse publicity, public pressure, and government requirements to force production changes.

The ethical defense of business has been to use consequentialist ethics, thereby side-stepping the deontological and virtue approach. As we have seen elsewhere, an adequate ethical response is often a blending of the three schools of ethics.

Regulations

Some businesses are guided by sound ethical principles and values. Those running the business understand the nature of ethics and know how to make good ethical decisions. Nevertheless, the need to make a profit often results in "the race to the bottom." This is a push from the heights of moral integrity to the pits of moral callousness. Market forces

militate against charity and trust. If your competitors act without conscience and undercut your ability to stay solvent by not caring about anything but profit, your choice may be between your financial or moral bankruptcy.

Failing to monitor the moral climate of business internally, moral discipline must come from outside sources. One is the organization of workers themselves to ensure their own welfare. Nothing is more effective in protecting workers' rights than workers' organizations. "Worker empowerment," writes Andy Banks of National Labor College, "is and always has been the most enduring way to end poverty and correct workplace conditions."

A second source of ethical correction is the organization of concerned consumers who take purchasing power away from moral offenders and reward those who adhere to ethical standards. College and university students have effectively supported workers' rights by demanding that basic labor standards are honored in factories where their apparel is made.

Another force for creating a moral business climate is political, as laws are written that offer human rights protections in the workplace and for the environment. Human rights were once thought of as violations by the state against personal, social, economic, and cultural rights. The view has been broadened, recognizing that these rights also need protection from unethical business practices.

Many multinational corporations have adopted human rights codes. But often it isn't enough for companies to voluntarily create human rights protections for their workers, one example being Reebok's Human Rights Code. National and international legislation also needs to be established so that corporations will in fact comply. Good will needs the backing of good monitoring by NGOs and effective worker organizing and legal protection of union organizers.

Ethics and financial success are often at odds with one another. But it needn't be so.

Ethics and financial success can also work together. Thomas Donaldson quotes David Bobrowsky, a student of international business, as noting that multinational corporations are involved in three related strategic "games." These are the "regulation game," with states and other firms at the international level; the "reputation game," with consumers, investors, and domestic regulators at the national level; and the "management game." There is commercial benefit in protecting human rights if regulation and reputation games reinforce ethical behavior.

The 'management game,' from a moral standpoint, is the personal commitment to creating an ethical climate by management. Without the backing by senior management, codes are only fig leaves worn to hide shameful abuses. And compliance with codes "depends heavily on the interaction of various stakeholders in the formulation and implementation of the code," a study of international codes of conduct and social responsibility by Kolk, van Tulder, and Welters shows. Critical amongst the stakeholders are the employees, whose active participation in the creation of the code is likely to lead to its effectiveness. The very process of involving workers in the creation of codes of ethics demonstrates to the workers that their interests matter to management. The respect shown to workers by involving them in writing codes of ethics is a sign of respect. This often leads to ethical business practices that incorporate the interests of consumers, vendors, and the public at large.

Improving the workplace cannot rest only with business. Workplace conditions change for the better when consumers take a moral stand. Advocates shape the public perception of a business's reputation and push legislators to pass laws that protect the human rights of workers.

As with other issues discussed in this book, questions remain: Who has a stake in the decisions you make? How do you decide? Can you measure your conscience as a critical element of your company's bottom line? How do you balance what is in your interest and what is the best interest of others?

These are heady, philosophical considerations that are at the heart of ethics. Without these questions and your reflections upon them, there can't be business ethics, only an adherence to codes and regulations, a sometimes necessary but never sufficient condition for morality.

Case Scenario

“The[re] is now in the mainstream . . . a budding market where individuals can buy and sell rights to offset ‘carbon footprints’ from their personal activities, such as driving a car, using disposable diapers, even jet-setting across the Atlantic.

“The operations reflect a new consciousness about climate change, but scientists and environmental watchdogs say that the carbon trading actually may be producing little of real value to the environment.

“Some carbon-offset firms have begun to acknowledge that certain investments like tree-planting may be ineffective, and they are shifting their focus to what they say is reliable activity, like wind turbines, cleaner burning stoves, or buying up credits that otherwise would allow companies to pollute.

“Still, as demand for greener living grows, the number of companies jumping into the game has multiplied. At least 60 companies sold offsets worth about \$110 million to consumers in Europe and North America in 2006, up from only about a dozen selling offsets worth \$6 million in 2005, according to Aaby Karmali of ICF International.

“A green-looking investment has drawn substantial controversy—the planting of trees, to which consumers often flock as a symbol of saving the environment. Scientists and environmentalists tend to agree, however, that mass plantings are among the least effective initiatives for offsetting carbon footprints.

“ The reality, said Jutta Kill, a climate campaigner at Fern, an organization monitoring the carbon market, is that villagers living along the boundary of the park have been beaten and shot at, and their livestock has been confiscated by armed park rangers because of disputes over ownership of the land.

“Ms. Kill, who visited the site to verify the information, said the trees are also in danger and that carbon is released when locals chop them down, or if they die before they even have a chance to absorb the emissions paid for by customers.

“Yet another perverse effect, say critics, is that some types of carbon-offset initiatives may actually slow the changes aimed at coping with global warming by prolonging consumers’ dependence on oil, coal and gas, and encouraging them to take more short-haul flights and drive bigger cars than they would otherwise have done.

“[One company], for example, has linked up with Land Rover, a maker of sport utility vehicles, to help the company offset its own emissions. As part of a promotional program, Climate Care also helps purchasers of new Land Rovers offset their first 45,000 miles of driving.

“In that way, the program may actually help sell ‘larger cars with higher emissions’ and thus contribute more to global warming, according to Mary Taylor, a campaigner with the energy and climate team at Friends of the Earth.”

New York Times, Feb. 20, 2007

EPILOGUE

A Model Multinational Conglomerate

Ethics in business may be fine for a textbook, but in the real world interest always trumps principle. Open the newspaper on any day and you read about embezzlement and fraud, disregard for the common good, and greed. From owners of small businesses to multi-billionaires, corruption and moral blindness rule; and if there aren't more such stories, it is only because not everyone gets caught.

One way to combat such cynicism is to point to a counter example, to look at a company that is both financially successful and a moral exemplar, and not a small business either, where an individual may choose penury over perfidy.

One company stands out as a model of successfully blending moral values and financial success. Tata Group, India's largest international business, controls 91 companies in seven business areas: information systems and communications, engineering; materials, services, energy, consumer products, and chemicals. Tata International trades with more than 110 countries and has a presence in 25 countries. It employs more than 200,000 people in India alone, and in 2005 its worldwide revenues were \$24 billion, with a profit margin rivaling any multinational's.

In a country with a history of labor unrest, Tata Steel has been strike free for 75 years, and there hasn't been a strike at its car plant, in Pune, India, in more than 15 years. This reflects the conglomerate's good labor relations, where union leaders meet with

management on a daily basis. Tata divested itself of its majority control in its tea plantations by selling more than half its share to its workers, thereby turning Tata Tea, India's largest tea producer, into a worker controlled company.

Tata's approach to business grows out of its origins as a paternalistic attitude colored by Fabian socialism. The business of business was more than making money — it was also about being a good and responsible member of the community.

A Tata company shall be committed to be a good corporate citizen, not only in compliance with all relevant laws and regulations, but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates, with the objective of making them self-reliant.

Such social responsibility would comprise: initiating and supporting initiatives in the field of community health and family welfare, water management, vocational training, education and literacy, and encouraging the application of modern scientific and managerial techniques and expertise. This will be reviewed periodically in consonance with national and regional priorities.

The company shall also not treat these activities as optional ones, but shall strive to incorporate them as an integral part of its business plan. The company shall also encourage volunteering among its employees and help them to work in the community. Tata companies are encouraged to develop social accounting systems and to carry out social audits of their operations.

Driven by both the desire to grow aggressively and to improve the quality of life for the communities it serves, Tata developed a workplace culture that is an ethical culture. Its reputation for integrity is so deep that in a country not immune to official corruption, its managers don't even get approached for bribes.

The Tata website explains, "Workers and their welfare were of utmost importance to the group founder, who, writing to his son in 1902, five years before a site for his proposed steel enterprise had been decided, stated: 'Be sure to lay wide streets planted with shady trees, every other of a quick-growing variety. Be sure that there is plenty of space for

lawns and gardens. Reserve large areas for football, hockey and parks. Earmark areas for Hindu temples, Mohammedan mosques and Christian churches.’ ”

Defined by Tata as being within its area of responsibility are consumers, employees, shareholders, and the community. None is more or less important than another. The group draws a direct connection between business success and ethics when it states, “This heritage is being continuously enriched by the formalisation of the high standards of behaviour expected from employees and companies.” Tata’s core values squarely rest upon an ethical approach to doing business.

Integrity: We must conduct our business fairly, with honesty and transparency. Everything we do must stand the test of public scrutiny.

Understanding: We must be caring, show respect, compassion, and humanity for our colleagues and customers around the world and always work for the benefit of the communities we serve.

Excellence: We must constantly strive to achieve the highest possible standards in our day-to-day work and in the quality of the goods and services we provide.

Unity: We must work cohesively with our colleagues across the Group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.

Responsibility: We must continue to be responsible, sensitive to the countries, communities, and environments in which we work, always ensuring that what comes from the people goes back to the people many times over.

Tata Group

Tata’s attitude towards the environment is a model corporate approach. “A big chunk of the responsibility for containing the plague driving our polluted and populous planet towards peril rests with industry and business. Balancing the imperatives of creating jobs and selling products and services with the absolute necessity of protecting and regenerating what remains of the natural environment is an onerous challenge. That it can be done is beyond doubt, but this is a task requiring a commitment to ideals more than

bottom lines, to the good earth rather than profiteering.”

Tata Steel reduced its work force by half in the last 15 years. Still it has paid full salary to all redundant workers until retirement. It pays all health and education expenses for employees, runs the schools and the 1,000-bed hospital in Jamshedpur. Two-thirds of its profits from its investment company, Tata Sons, go to charity.

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