

Chapter 1

The nature of morality: Why ethics in business matter

Overview

There is often confusion among students regarding moral issues, as the everyday use of the term often refers to tradition, law or etiquette. Similarly, there is often confusion between moral and non-moral judgements. This book examines morality in a business context. It is important that business students learn to understand morality, ethics and the principles upon which moral issues are judged.

This chapter provides guidelines to these issues and examines what is meant by 'morality'.

Many of the moral issues that arise in business are complex and difficult to answer. For example:

- How far must manufacturers go to ensure product safety?
- Should manufacturers reveal everything about a product, including any possible defects or shortcomings?
- At what point does acceptable exaggeration become lying about a product or a service?
- When does aggressive marketing become consumer manipulation?
- Is advertising useful and important or deceptive, misleading and socially detrimental?
- When are prices unfair or exploitative?
- Are corporations obliged to help combat social problems?
- What are the environmental responsibilities of business and is it living up to them?
- Are pollution permits a good idea?
- Is factory farming morally justifiable?
- May employers screen potential employees on the basis of lifestyle, physical appearance or personality tests?
- What rights do employees have on the job?
- Under what conditions may employees be disciplined or fired?
- What, if anything, must business do to improve work conditions?
- When are wages fair?
- Do unions promote the interests of workers or infringe their rights?
- When, if ever, is an employee morally required to blow the whistle?
- May employees ever use their positions inside an organisation to advance their own interests?

- Is insider trading or the use of privileged information immoral?
- How much loyalty do workers owe their companies?
- What say should a business have over its employees' off-the-job activities?
- Do drug tests violate employees' right to privacy?
- What obligations does a worker have to outside parties, such as customers, competitors or society in general?

These questions typify business issues with moral significance. The answers we give to them are determined, in large part, by our moral standards – that is, by the moral principles and values we accept.

Key terms

- ethics
- religion and morality
- etiquette
- non-moral standards
- moral development
- ethical relativism
- self-interest
- moral reasoning
- spirituality

Learning objectives

After completing this chapter, students should be able to:

- Understand the nature of morality
- Define and understand ethics, including business and organisational ethics
- Understand the role of spirituality in contemporary business, including international business
- Understand the role of values and individual responsibility in morality and ethics.

Lecture outline

Ethics

The central question of ethics is as follows: How are we to relate to each other in order to ensure that our individual and collective well-being is enhanced? This raises additional questions such as:

- What is morally right and wrong?
- What moral principles should I employ?
- How can I justify my decisions and actions morally?

Business ethics

Business ethics is the study of what constitutes right and wrong, or good and bad, human conduct in a business context.

Business and organisational ethics

The idea is that moral rectitude is as important in organisational life as in one's personal life.

Do organisations have the same moral rights and obligations as people?

Moral versus non-moral standards

- The concept of 'morality' contains a prerequisite for human faculties and choice in order to have meaning.
- The idea of morality requires that a choice can be made and, secondly, that the actor knows right from wrong in a moral sense when making that choice.
- Not all decisions or actions are moral actions. Only those that affect, or potentially affect, well-being are moral.
- Moral standards take priority over non-moral standards.

Morality and etiquette

Etiquette is concerned with social norms of behaviour and is largely cultural rather than moral. It is mainly concerned with 'manners'.

Morality and law

- Moral standards are universal and constant.
- Law is not universal and changes frequently.
- Law is what other people decide should govern behaviour; morality concerns what behaviour *ought* to be. An action can therefore be illegal but moral, or legal but immoral.

Professional codes

Professional codes are between etiquette and law.

Where do moral standards come from?

Religion, spirituality and morality

Religion

- Religion seeks to explain the mysteries of life and to prescribe social behaviour.
- Religion provides standards for individual and communal well-being.
- Religion requires unquestioning acceptance of the word of God rather than a reliance on rational thought. It is a 'given' standard of right and wrong rather than an arrived at one.

Spirituality

Spirituality in some sense has an impact on ethical ways of doing things.

Ethical relativism

Ethical relativism refers to the belief that moral standards are not universal but particular to time, culture, context and place.

Relativism and the 'game' of business

Some propose that business has its own set of standards and values and should not be subject to human principles of right and wrong.

Having moral principles

Moral principles and self-interest

- Often, there is a conflict between what would be good for an individual personally and the morally right thing to do.
- Morality serves to restrain our self-interest and underlines the importance of the community.

Organisational norms

- Organisations are not humans, and their purpose and the standards by which they are judged differ from those by which other human intercourse is judged.
- Kohlberg has three possible stage of development:
 - pre-conventional
 - conventional
 - post-conventional.

Diffusion of responsibility

- Organisations allow their members to avoid moral responsibility for their actions because they are acting as agents of the business rather than as autonomous individuals.
- Policies, rules, committees and directives all engender this situation.
- Pressure to conform undermines individual integrity.

Moral reasoning

- *Logical*: Decisions should be consistent, universal and compatible with other moral beliefs.
- *Factual*: All relevant information must be acquired and considered.
- *Based upon principle*: Reasoning should conform to one or more of established moral principles.

Tutorial

Suggested preparatory readings include the Luban, Strudler and Wasserman item from the end of the chapter, which provide an insight into the ways in which moral issues are pertinent to business activities.

The case study 'The A7D affair' was written to provoke students to consider the part that morality plays in our social and personal judgements. The case provides a scenario in which the guilty party cannot be identified (legally or criminally), but it has a different outcome from a moral viewpoint.

Class activities relating to this case study may involve group discussion, group work or role-play. Alternative tutorial work may consist of a class discussion of one of the other case studies.

Discussion questions

Introduction

- Is passing a personality or honesty test a justifiable pre-employment condition? Are drug tests? What rights do employees have on the job? How should businesses respond to employees who have AIDS? What, if anything, must a business do to improve work conditions?
- Should manufacturers reveal all product defects? At what point does acceptable exaggeration about a product or a service become lying? When does aggressive marketing become consumer manipulation?
- What are businesses' environmental responsibilities? Is a corporation obliged to help combat social problems such as poverty, pollution and urban decay? Must businesses fight sexism and racism? How far must a business go to ensure equal opportunities for all employees? How should organisations respond to the problem of sexual harassment?
- May employees ever use their positions inside an organisation to advance their own interests? Is insider trading or the use of privileged information immoral? How much loyalty do workers owe their companies? What say should a business have over its employees' off-the-job activities?
- What obligations does a worker generally have to outside parties, such as customers, competitors or society? When, if ever, is an employee morally required to blow the whistle?

Business and organisational ethics

- Would it be right for a store manager to break a promise to sell some hard-to-find merchandise to one customer in order to sell it to another customer who needs it more?
- What, if anything, should a moral employee do when his or her superiors refuse to look into apparent wrongdoing in a branch office?
- If you innocently came across secret information about a competitor, would it be permissible for you to use it for your own advantage?

Morality and law

What other examples can you think of that show how an action can be illegal but morally right, legal but morally wrong, or both legal and morally right?

Where do moral standards come from?

For philosophers, the important question is not how we came to have the particular principles we have. Instead, the philosophical issue is whether the principles we have can be justified. Do we simply take for granted the values of those around us? Or, like Martin Luther King, Jr, are we able to think independently about moral matters? The philosopher's concern is not so much how we actually got our beliefs, but whether or to what extent those beliefs – for example, that women are more emotional than men or that telekinesis is possible – can withstand critical scrutiny. Likewise, ethical theories attempt to justify moral standards and ethical beliefs. However, not all are philosophers, and there are those who take refuge in their beliefs and religions. Indeed, religion involves not only a formal system of worship but also prescriptions for social relationships. One example is the Christian mandate 'Do unto others as you would have them do unto you'. The most famous, which is applied everywhere regardless of religion or ideology, is the golden rule.

Many people believe that morality must be based on religion, in the sense that either without religion people would have no incentive to be moral or only religion can provide moral guidance. Others contend that morality is based on the commands of God. None of these claims is very plausible.

Moral principles and self-interest

Using the example from this section, discuss whether you should follow your self-interest or your moral principles. There is no final answer to this debate. From the moral point of view, you should, of course, follow your moral principles. But from the selfish point of view, you should look out solely for 'number one'.

Solutions to End of Chapter Questions

General comment

Many of the answers to these questions are subjective in nature. Consequently, students may answer in a variety of ways. Some guidance has been provided where possible to demonstrate how questions might be answered, but most questions are

designed to encourage debate. Where students have been asked to apply theory, any number of theories might be applied (and could be applied differently depending upon the students' approaches). A few examples of how to apply theory have been provided for guidance. Ethical theory seldom presents us with black-and-white answers to problems. Sometimes we might favour a particular approach, but when we analyse a problem using that approach, we may end up with a resolution or answer that we feel instinctively is wrong. If this happens while completing the questions here, this presents a perfect opportunity to extend the discussion by referring to the limitations and criticisms of the theories (which are further discussed in chapter 2).

Review and Discussion Questions

- 1 Write down three factual statements and three moral statements. Discuss how factual statements differ from moral ones.

Student responses will vary and may include:

- examples of factual statements such as boys are males
- moral statements such as you should not lie.

- 2 Has your understanding of the term 'ethics' changed after reading this chapter? If so, how has it changed?

Student responses may vary. Some possible responses to this question include:

- I would look more carefully at my business (or other) decisions, and try to make better decisions.
- When faced with decisions that affect not only me but also others in society, I hope to remember these discussions and make reference to the issues examined.

- 3 Is it possible for an atheist or an agnostic to be a moral person?

There are several schools of thought about this, so answers may be both positive and negative. For example, some might note consider a perspective ethical unless it is informed by religion. Alternatively, ethics may differ among those of different religious backgrounds.

There are many possible approaches to this question. Review material in the 'Religion, spirituality and morality' section.

- 4 Write down three moral principles by which you live your life. Where and when did you adopt these principles? Is complying with organisational norms more important than adhering to personal principles?

There is no specific answer to this question. Students will have their own principles (e.g. you should not lie or cheat, you should donate to charity and help the needy), so these will vary. Opinions will vary as to the last part of the question and could lead to a discussion of ethical relativism. Some answers may include the following:

- 'Rain your kindness on all.' –Buddha
- 'Love thy enemies.' –Jesus Christ

Critical Reflection

- 1 Review the discussion in this chapter about ethical relativism. Given that a moral action may be illegal and a legal action may be immoral, is ethical relativism defensible? Explain your answer.

Relativism is criticised in the text (see the 'Ethical relativism' section) – it is not defensible. Students could be encouraged to discuss issues such as genocide in Nazi Germany, slavery, segregation in the USA, apartheid in South Africa and the forcible removal of Aboriginal children from their homes. Each of these could be defended using relativism.

- 2 What characteristics do you think Aristotle's 'excellent person' would have? Do you agree with his belief that only when we develop our truly human capacities sufficiently to achieve this human excellence will we have lives blessed with happiness?
- 3 Are meeting organisational goals and upholding one's personal morals mutually exclusive? Can an ethical business be a profitable business? Form two groups. Each group should choose a position and debate these issues.

The answer to this question depends on an organisation's culture. Meeting organisational goals and upholding one's personal morals should not be mutually exclusive – but sometimes they are.

There is no right or wrong answer to this question. It may be considered an issue of the chicken and the egg – which came first? Can an ethical business be profitable? Can a profitable business be ethical? Are ethics embedded within the goals of the organisation or are they in addition to the organisation's goals? Do ethics depend on the challenges faced by the organisation? Are they ignored under difficult circumstances and applied when it is best for the organisation?

Solutions to Case Study 1.1 – Pester power

- 1 Evaluate the concept of 'pester power', using the concept of comparing means to an end.

By relying on pester power, advertisers use children as a means to an end. Children are not mature enough to be able to analyse the advertising campaign objectively. They are at a stage in their lives where their desires override any other considerations. Children who pester their parents can be very determined, and aggressive advertising exacerbates the problems that parents face. The advertisers' end would be to sell the product in order to generate more profits for their clients. (Successful campaigns mean more business for the advertisers.)

- 2 Do you think that Melanie was justified in feeling angry about the way in which the doll was advertised and marketed?

This question calls for the students' subjective opinions. Drawing from the answer to question one, we could infer that Melanie had a right to be angry. If students think differently, encourage them to support their views with ethical theory.

- 3 Is it ethical to market to children or other vulnerable members of society? Justify your answer using ethical theory.

Example 1: Kant

- Universal law: If we express the underlying principle that it is acceptable to market aggressively to vulnerable members of society, we can see that rational beings would not accept this as a rule by which we would all be happy to live.
- Good will: Aggressive marketing is not showing good will

Example 2: Egoism

- Positive consequences might include:
 - an effective campaign, which would result in satisfied clients
 - more advertising work
 - pride in a successful campaign
 - promotions.
- Negative consequences might include:
 - bad publicity
 - guilt.

Students may think of others answers as well. Point out that we cannot predict the consequences with certainty, and they may vary. For example, some might feel guilty about targeting the vulnerable whereas others may not.

Additional resources

Further reading

- 'Letter from Birmingham Jail' by Martin Luther King, Jr
- 'Is business bluffing ethical?' by Albert Carr
- *The Adventures of Huckleberry Finn* by Mark Twain

Internet resources

- 'Validity and Soundness': <http://www.iep.utm.edu/val-snd/>
- 'Metaethics' in the Stanford Encyclopedia of Philosophy: <http://plato.stanford.edu/entries/metaethics/>
- The Association to Advance Collegiate Schools of Business: <http://www.aacsb.edu/>

Film resources

- *Enron: The Smartest Guys in the Room*, 2005
- *Inside Job*, 2010