

The Elusive Business of Ethics

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"The business of business is business," Milton Friedman, the famous economist, once said. "A business that makes nothing but money is a poor business" said Henry Ford. So, what makes the business of business make money meaningfully? Business ethics is the answer. Arguably, the business world is rich with 'poor companies' that do nothing but make money. Unethical business practices are rampant, and by saying that, we are not even referring to Enron, WorldCom and Lehman Brothers. The everyday businesses that most of us interact with regularly are often in the spotlight. For instance, an online story on '[25 Most Unethical Clothing Companies in 2021](#)' lists names such as 'Victoria's Secret, GAP, Fashion Nova, Uniqlo, Forever 21, Nike, Adidas, Disney, and H&M.' Some of the allegations levelled against these companies include child labour, counterfeiting, damaging the environment, greenwashing, and the [list](#) goes on.

However, an overwhelming majority of [94% of employees](#) in the US have reported that they find it 'important' and 'critical' that a company they work for should be ethical. Another study indicated that [73% of the job seekers](#) in the UK, US, France and Germany are reluctant to join a company whose values do not match theirs. Yet, the reports of corporate scandals and unethical practices are on the rise, and even the world's most respected companies are under the radar for [corporate wrongdoing and cover-ups](#).

The pertinent question here is, why are companies unethical? Especially after witnessing the plights of the infamous ethical offenders like Volkswagen (emissions scandal), Facebook (misuse of customer data), and BP (oil spills); and, knowing well that [unethical behaviour](#) is an easy way to ruin an organisation's reputation, employee morale, profits, trust, and more. This short piece discusses some of these business ethical issues.

What is business ethics?

The history of ethics is traced back to the evolutionary roots of the human species. Charles Darwin considered that *moral sense* makes humans different from animals. In his celebrated treatise, he said, "[I fully subscribe to the judgment that...of all the differences between man and the lower animals, the moral sense or conscience is by far the most important.](#)" Business ethics applies the same innate human moral

sense in business decision-making. "[Business ethics](#) studies the moral dimensions of commercial activity, frequently but not exclusively with respect to corporations." It is generally about the standards that govern the rights and wrongs of business activities.

Though many [theories](#) inform business ethics, the most widely regarded approach is based on the utilitarian theory that is largely credited to the writings of three English philosophers; Jeremy Bentham, John Stuart Mill and Henry Sidgwick. According to [Mill](#), "...Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness." Similarly, the [virtue ethical principles](#), which are credited initially to the works of Aristotle, discusses *eudaimonia*, roughly translated as happiness, as the ultimate justification of ethics. In the business context, happiness can be considered the general welfare and wellbeing of the stakeholders of the business.

Who is to be blamed?

As indicated above, the pressures to compromise on business ethical standards are on the increase. It was reported that globally [one in every five employees](#) is pressured to compromise their company's ethical standards. Among other things, ethical compromises are primarily related to meeting goals, saving jobs, yielding to supervisors' pressure, advancing careers, honouring demands from the investors, to name a few. Weak leadership commitments to an organisation's values are posited as one of the reasons for such malfeasance.

It was also [reported](#) that unethical business behaviours are often intentional, as people sometimes succumb to self-serving biases that lead to compromised decisions. However, neither can justify the wrongdoings that adversely impact stakeholder interests of businesses. One of the reasons for the deficits in ethics in businesses is that business is not a [profession](#), unlike medical and law practices. Doctors and lawyers, for example, undergo rigorous training to earn a licence to practice and stay in their professions. A business practice does not match up to traditional professions in this regard.

What can be done?

It is, therefore, important to create a culture of ethical practices in organisations. There are many ways to approach this issue. [Howard Gardner](#) suggested creating an ethical mind at work is the key. Gardner introduced five types of mindsets for a fulfilling life. A *disciplined mind* makes one an expert in a chosen field. A *synthesizing mind*, which coherently integrates the necessary information for the benefit of self and others. A *creating mind* that fuels innovations and discoveries. And a *respectful mind* that forges a meaningful relationship with others. "An ethical mind broadens respect for others into something more abstract." According to Gardner, a person with an ethical mind would ask the question, "What kind of a person, worker, and citizen do I want to be? If all workers in my profession adopted the mindset I have, or if everyone did what I do, what would the world be like?" An [ethical mind](#) is a fundamental mental transformation that starts at home and in the community. An excellent example of an ethical mind in an organisation is that of a whistleblower. A free and fair organisational system and culture that nurtures ethical minds among employees would excel in ethical practices.

Another approach is to treat ethics as a design problem. [Nicholas Epley and Amit Kumar](#) suggested four aspects that have to be considered while designing an ethical culture, namely, *explicit values*, *thoughts during judgment*, *incentives*, and *cultural norms*. *Explicit values* suggest a clear articulation of principles and values through an organisation's carefully developed mission statement. Such a mission statement ensures employees and other stakeholders understand the organisation's ethical commitments that guide practices. A good example is [TOMS](#), a company that integrates ethical values in its mission and every business fabric. *Thoughts during judgment* call for ethical considerations to be kept top of mind while making decisions would make a significant difference. All business decisions primed by ethical checklists and questions would help. *Incentives* for ethical behaviour sounds ironic, but it works. A [Virgin Atlantic experiment](#) of a bonus system for pilots to achieve fuel efficiency worked well when the bonus was tied to charity contributions. Creating [cultural norms](#) (and social norms) showcasing the exemplary ethical practices of workers found to have worked in organisations.

Many studies indicate that leadership is the key in forging an ethical culture in an organisation. [Michael Beer](#) suggests a few strategies that a leader could follow to this end. *Start within* - a personal reflection of values and purposes of their being. *Align your senior team* - to have a consensus on the ethical dimensions and direction of the organisation. *Be prepared to be derailed* - as disparities and lack of ethical performances are expected, constant conversations in the organisation are warranted for addressing the derailment. *Don't wait for the whistle to blow* - a proactive and structured meeting with employees on ethical practices and values is better than waiting for a whistle that might or might not blow for various reasons.

In conclusion, there is no panacea for all unethical business practices. Business practices and decisions will always be as imperfect as human frailties. But a positive, conscious, and determined effort would help humans' innate *moral sense* to be perpetually awakened in their business and personal lives. If all business decision-makers remember to keep the following thought from Warren Buffet on top of their mind, then only good can come.

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."



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