

## Encyclopedia of Science, Technology, and Ethics

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### Business Ethics

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#### 1. Introduction

"Business ethics" names both a *phenomenon* ("the ethics espoused and practiced in business") and the *field of study* of that phenomenon ("the serious study of business ethics"). As a branch of *ethics* (or moral philosophy), business ethics is interested in how judgments of right and wrong, good and bad, moral obligation and responsibility, rights and duties, and the like, are made and justified. As a branch of *applied ethics* it explores how these judgments are carried out in a specific domain, in this case, that of work, commerce, and economic activity.

As a *descriptive* enterprise, business ethics is an analytical exercise in understanding and explaining how people and organizations make their ethical judgments and decisions. As a *prescriptive* enterprise, business ethics seeks to arrive at defensible, normative, moral judgments of business matters in ways that are helpful to the actual practice of business. Business ethics overlaps significantly with what is often called "corporate social responsibility"---a movement calling corporations to be responsible not just to shareholders but to the society (and the ecosystem) in which it operates. Business ethics is interested in more than just social and environmental responsibilities but those are certainly critical component areas. Science and technology share a long, close, and mutually-influential relationship with business. Business needs and opportunities have driven a great deal of scientific research and technological development, on the one hand. Scientific discoveries and technological innovations have transformed business, on the other (Burrus 1993; Martin 1996; Tapscott & Caston 1993). It is a commonplace to state that technology has been the primary, dominating force transforming business around the world with rising intensity since the 1950s. Business ethics, as a reflective and sometimes reactive discipline, has typically lagged behind business changes and has taken account of this technological transformation only more recently (Gill, 1999).

#### 2. Historical Development of the Field

The basic questions of business ethics (e.g., fairness in wages and prices, responsibility for defective or dangerous products, fulfillment of contractual agreements, the morality of interest rates) have been of interest throughout human history and throughout the world. For example, the Jewish and Christian Scriptures and the ancient Greek philosophers pay considerable attention to issues of wealth and poverty, honesty in transactions, liability for injury, justice in compensation, and other matters that we now locate in the business ethics domain. So too, the Buddhist tradition provides guidance about "right livelihood." Medieval Catholicism considered the morality of usury and interest on loans. Karl Marx put capitalist economics on trial and called for justice and freedom for workers. Sociologist Max Weber famously studied the "Protestant ethic and the spirit of capitalism." Thus, while the constraints of nature and of social tradition have determined the work and economic experiences of most people throughout history, there have been recurring discussions of whether various aspects of this experience are right or wrong.

The rise of modern industry and the factory system, along with the great migrations of peoples across oceans and continents, especially during the 19<sup>th</sup> and early 20<sup>th</sup> centuries, brought major changes and disruptions to the ways people worked and the ways business was carried out. Business moved from a rural, agricultural, and familial base to an urban, industrial, and organizational one. The impact of these changes on individual workers, on families and communities, and on the environment, and the rise of a new class of wealthy business leaders---and of new forms of poverty---provoked intensified ethical debate not just among academic professionals but writers, politicians, preachers, poets, and populists.

Nevertheless, as a discrete, self-conscious, academic field, business ethics emerged only during the 1960s and 1970s and then grew steadily through the 1980s and 1990s and on into the 21<sup>st</sup> century. The rapid emergence of this field during the last quarter of the 20<sup>th</sup> century was truly remarkable. Business schools created courses in business ethics; students began pursuing Ph.D.s in the field; centers for business ethics sprang up at many campuses. Associations, such as the Society for Business Ethics, Business for Social Responsibility, and the Ethics Officers Association, were formed to bring

together scholars and practitioners in the new field. Journals were launched, such as *Business and Professional Ethics Journal* (1981- ), the *Journal of Business Ethics* (1982- ), and *Business Ethics Quarterly* (1991- ). The quantity and quality of textbooks, monographs, and other literature on business ethics was first impressive, then daunting to those wishing to keep up with it. In the corporate arena itself, more and more companies created ethics codes, statements, and training programs. By the turn of the 21<sup>st</sup> century, business ethics had won a respected and significant place in virtually all business education programs and in the consciousness of business managers (Freeman, 1991; *BEQ*, 2000).

The impetus for the development of business ethics as a field of study and of professional practice, in recent decades, has come from several factors: First, the rapid development of technology and its multi-faceted deployment in business has modified and intensified the traditional list of business ethics challenges. Technology has amplified old problems, created new ones, and complicated and speeded everything up.

Second, social and cultural developments, in the 1960s and since, gave rise to a widespread questioning of traditional ethical authorities. Demands for recognition and equal treatment by students, women, and ethnic minorities, a new sense of urgency to care for the environment, and a growing ethnic, religious, and cultural diversity in the workplace: all of these forces and interests helped to put in question traditional ways of running businesses and of thinking about ethical right and wrong. Thus, just as the technology-enhanced business ethics challenge was increasing, the assumption of a widely-shared consensus on values and ethics was becoming untenable.

Third, across the intellectual and academic horizon, academic specialization grew, fueled partly by the scope and complexity of various old and emerging fields of research and partly by an explosion in the quantity of data available for consideration. The development of a specific field of business ethics (just like that of medical/bioethics ) became logical, possible, and necessary. The growth of the business ethics challenge combined with the loss of a common set of values and ethics to create a fertile field of inquiry and service for a new academic specialization.

Fourth, a growing number of high profile business ethics crises and scandals provoked calls for both better government regulation and oversight of business, on the one hand, and for better business ethics education and practice, on the other. Insider trading, accounting, and financial scandals, the manufacture and sale of dangerous products (automobiles, tires, drugs), the use of child labor and sweat shops, ecological disasters (the Exxon Valdez, Bhopal), industrial pollution and depletion of natural resources, and vastly growing inequalities in wages and compensation for executives and workers were among the high profile ethics cases. This lengthy series of ethics scandals and improprieties among business leaders served as a powerful call for improved approaches to business ethics. The 1991 U.S. Federal Sentencing Guidelines for “white collar” criminals specified that law-breaking companies could reduce their penalties by up to 40% if they put in place compliance and ethics training programs.

### **3. Business Ethics: The Central Issues**

The organizing question in business ethics is how to do the right thing (not just the profitable or possible or popular or even legal thing). Various philosophies, religions, and individuals answer the “what is right and how do we know it?” question in different ways, but there is widespread (if not universal) agreement that at its core, something becomes *wrong* when it *harms* (or seriously risks harm to) people. The ancient Hippocratic Oath argued that the first duty of medical ethics was to “do no harm.” So too with business ethics: an ethical business is one that seeks to avoid harm. What is ethically right and good is what can help people toward a free, healthy, and fulfilled human life. Obviously, harm and help are elastic and debatable concepts but thinking about ethical right and wrong in these simple, historic, classic terms helps focus the ethical enterprise around a common language and concern in an important way.

In raising its questions of right and wrong, the scope of business ethics is as broad as business itself. Business ethics, perhaps because it is such a young field, has no single dominating method or paradigm. To arrive at a relatively inclusive understanding of the field, we will approach business ethics from five different perspectives. First, we will review the range of typical *ethical dilemmas and problem cases* that arise across the business spectrum. Second, we will examine briefly the *ethical values and methods of analysis* typically used to address the range of business ethics dilemmas. Third, we will analyze the major *stakeholders* in business ethics. The point is to understand *who* is involved and what their ethical interests might be. Fourth, we will examine the basic components in a comprehensive organizational ethics. Fifth, while the interaction of science, technology, and business ethics will be

discussed as appropriate throughout this essay, we will use the science/technology lens as a way of gathering up a concluding summary of the topic.

#### 4. Ethical Dilemmas and Critical Cases

One way to approach business ethics is by an analysis of specific problem cases or dilemmas (quandaries). An ethical dilemma is a case in which there is a difficult question of what is the right thing to do. It often occurs because of a conflict of moral values or principles either within a person or between two or more agents. The focus on the case method is called "casuistry" (Jonsen & Toulmin 1988; Brown 2003; Goodpaster & Nash 1998; Jennings 1999; Ferrell, Fraedrich, & Ferrell 2000). Casuistry analyzes ethical dilemmas and quandaries in order to assist wise decision-making and right action.

**Classifying Ethical Issues.** Ethical dilemmas and problem cases can be classified in several different ways. A threefold distinction can be made among (1) personal, "micro-ethical" issues, (2) organizational, "molar" issues, and (3) systemic, "macro-ethical" issues. Another categorization can follow the functional areas of business, such as management, finance, accounting, human resources, marketing and advertising, supply chain management, sales, manufacturing, and so on. Still another approach could focus on cross-cutting, thematic areas such as technology, communications, meeting, relationships, and the like.

*Conflict of interest* cases are among the most common. For example, one's personal interest (e.g., a bonus for meeting a sale target, a personal gift) may conflict with one's professional responsibility (e.g., serving client needs and employer standards). A business interest in a foreign country may conflict with the social or environmental interest there. Bribes, kickbacks, insider trading, inappropriate use of company information, resources, or contacts to advance personal/noncompany interests, hiring a talented friend--all of these are examples of possible conflicts of interest.

Also cutting across all business areas are dilemmas about *truthfulness and accuracy in communication*. Internal communications up and down the line, press releases and public relations, advertising and product labeling, financial reporting, handling proprietary information and intellectual property--these and other business activities raise difficult questions of ethical communication. How much information is owed and to whom? It is clearly not right to publish immediately and fully all information one has to all people who ask for it. But falsehood, deception, and evasion undermine trust and are often harmful.

A third group of dilemmas has to do with *justice and fairness in policies and relationships*. Relationships among employees at various levels and in different areas of the company may be disrespectful, inequitable, unfair, and harmful. Hiring practices, compensation, promotion, and workload differences might be unfair. Suppliers and business partners may not be treated fairly and honestly. The community may be unjustly burdened with the costs of an environmental clean-up due to a company's decision not to manage its wastes responsibly.

Technology has had a major impact on the ethical dilemmas faced in business. As the technological tools become more powerful, ever more vigilance is required to make sure they are used for good and not evil. Technologies also produce unanticipated consequences, "bite back" effects, that ethics must review (Tenner 1996). Old practices present new challenges when technology is introduced. Marketing and advertising ethics must now evaluate e-marketing practices. Customer data issues have become extremely important as computerization makes possible tracking, profiling, and commoditization of what customers may assume is their private information. Relationship issues are given a radical new spin when distant, extended enterprises, enabled by technology, become the order of the day. When e-mail becomes the primary form of communication, when anytime/anywhere connectedness is expected by management, when doing managing employees in multiple, extremely-diverse political-social settings around the world--such technology-driven challenges beg for ethical perspective.

**Recognizing, Analyzing, and Resolving Ethical Dilemmas in Business.** A focus on ethical problem cases requires us, first of all, to make sure that the matter which has drawn attention is truly a serious ethical dilemma requiring our attention. Two compliance-oriented questions will often (though not always) identify a serious dilemma. (1) Is there a serious question of illegality? (2) Is there an issue of violating the ethics and standards spelled out by the business's code or by a related professional association? If either of these is a positive, the issue is probably of serious ethical concern.

Some ethically-important situations may slip under the radar of the two compliance test questions so we must add four others: (3) Is someone liable to be harmed by this? (4) Would I want this done to me

and my loved ones? (5) Does this really bother my (our) conscience and values? And (6) Would this continue if it was publicized in the evening news or on page one of our newspaper?

If these test questions start coming up positive, the next stage is to *analyze* the case carefully. The facts of the situation must be clarified. Who is involved? What has happened? What are the ethical values and principles at stake? (The ultimate decision will need to be justified by appealing to such values). What are the options for response? and the likely consequences of each response, short- and long-term? What help can we get from others (colleagues, experts, veterans of similar cases) in analyzing and understanding this dilemma?

The third stage (after *recognize* and *analyze*) is to *resolve* the dilemma by choosing the best possible option available, act on it with courage, and then follow through, fully and responsibly. Not only the immediate decision and action but longer-term reforms might be appropriate to minimize recurrence of such dilemmas.

Casualty is certainly an important part of business ethics. If ethics remains only a set of ideals or an abstract theory, unapplied (or inapplicable) to particular cases, it has failed. One of the virtues of casuistry is that it can quickly focus the participants' attention on something concrete, specific, and shared: the problem. Trying to begin with an agreement on abstract, general principles and values is often much more elusive. On the other hand, a focus on cases alone can reduce business ethics to a reactive "damage control." Decision-making and action in response to extreme cases must not be allowed to become the whole enterprise. Even if we start with concrete cases, part of the follow-through after responding to the case at hand is to move "upstream" in the organization and its practices to locate the sources and contributing factors to those downstream dilemmas.

## 5. Ethical Values, Principles, and Methods of Analysis

A second way into business ethics is to equip oneself with theories and insights from moral philosophy and carry these tools into the business domain (Beauchamp & Bowie 2001; DeGeorge 1999). Business ethics courses and textbooks, which frequently were first designed and taught by people trained in philosophy, have typically presented two or more options in moral philosophy as potential tools for determining the right thing to do in business.

The *utilitarian* philosophy of Jeremy Bentham and John Stuart Mill is always presented as one option. Utilitarianism, a very results-oriented, practical philosophy, has a lot of appeal to business managers. The principle of utility argues that what is ethically right is what would lead to the greatest happiness (or pleasure) for the greatest number. In utilitarianism the consequences determine whether the means are ethical. Despite its appeal, utilitarianism has three critical weaknesses: (1) its willingness to sacrifice the interests of minorities for the benefit of "the greatest number," (2) its unwarranted confidence that our actions will produce the consequences we intend, and (3) its difficulty in providing a decisive argument against egoism. There are ways of strengthening utilitarianism against these flaws but these add complexity and reduce the simplicity and practicality of the tool.

Immanuel Kant's *deontological*, non-consequentialist, moral philosophy, is almost always provided as an option alongside utilitarianism (Bowie, 1999). This view argues that ethical duties are not chosen by an examination of ends (consequences) but by an examination of the means. Any right action is one which is intrinsically right (not instrumentally right as in utilitarian thought). We discern such intrinsic duties by seeing if they are uncontenting, "categorical imperatives." Can we will a given principle or imperative to be a universal practice, that everyone would so act toward everyone else? Anything less than such a categorical imperative is not ethics but pragmatism, in Kant's philosophy. Kant also presented his categorical imperative in the different language of "treating people as ends, never as means"—a choice to regard others as having inalienable dignity and rights rather than mere utility value. Kant's non-consequentialism has a lot of appeal in arguing that we should do the right thing no matter what our circumstances, benefits, or costs. A major difficulty is that it can get lost in abstraction and idealism and die "the death of a thousand qualifications." Kant has a great insight but needs the balance provided by Mill and others.

In addition to these two greatest options in Enlightenment Modernity, business ethicists sometimes add brief discussions of ethical relativism, egoism, a feminist "ethics of care," and some account of virtue (character) ethics. It is also common to include discussion of theories of justice (economic, distributive justice), often including the theories of John Rawls and Robert Nozick.

After sketching these options in moral philosophy, business ethics textbooks then counsel readers to "choose a moral philosophy to help decide ethical questions." Since the leading moral

philosophers cannot themselves agree on one philosophical ethical theory, a certain sympathy is owed the newcomer to business ethics who hears this challenge to decide. (If the author is implying that the choice doesn't really matter, then, of course, he or she is committed to relativism as the decisive option).

Another way to view the great theories is to see that virtually every moral philosophy (and moral theology) has some valuable insight to contribute to business ethics. Just as we noted six test questions to help identify an ethical dilemma, it can be helpful rather than confusing to examine one's options from the perspective of several of these theories. With the utilitarians we could ask which possible response to the ethical problem would produce the best consequences for as many people as possible? With the Kantians we would ask what would be our response if we thought it was going to be copied by all people in comparable circumstances? We could ask the "egoist" question---what is truly in my/our best interest?--and, so too, questions about genuine caring, about the guidance of conscience and feeling, and about what our surrounding culture thinks is right. Every insight and every theory is not equally insightful in every case, of course, so wisdom and discernment are always called for.

By focusing on moral philosophy in this way, of course, business ethics is actually showing its historic debt to Modern, Enlightenment thought. Kant and Mill and their contemporary philosophers were products of the Modern Scientific revolution of Isaac Newton and his colleagues, in which the physical universe was redescribed in terms of rational, universal, objective "laws." In the footsteps of the scientists the philosophers wished to discover moral laws of a universal, rational, objective character, independent of any notion of purpose or particularity of community. While this way of thinking about rational, universal, disinterested, objective laws contributes some helpful insights to the moral life, it has proven to be insufficient by itself (MacIntyre 1984, 1990). The young business ethics guild has slowly been waking up to the failure of Modern ethics. Viewed negatively, the Postmodern rejection of Enlightenment styles of moral philosophy points away from certainty and toward relativism or even nihilism.

Viewed more positively, the way has been opened up to explore new ways of thinking about business ethics that draw together the ethical insights of many voices and that more closely fit the actual ethical experiences of people in business. The success of some efforts to bring people together to formulate and implement business ethics principles, such as the Caux Round Table Principles, has been promising.

## 6. Business Ethics Stakeholders: Who Matters?

Business ethics can be approached by a *problem* focus, a *theory* focus, or, thirdly, a *people* focus, often called "stakeholder analysis." To the traditional term "shareholder" (stockholder, investor/owner) has been added the term "stakeholder" (Freeman 1984; Weiss 1998; Post, Lawrence, & Weber 1999). A stakeholder is anyone affected by, or having a significant interest in, a business. They may not own financial shares of stock but they still have a significant stake, an interest, in what the business does. The assumption is that people have a moral right to some say in decisions that significantly affect their lives. In stakeholder relationships, the ethical questions concern the rights and responsibilities appropriate to each party to the relationship. Stakeholder analysis emerged from a realization that some parties were bearing costs (or reaping benefits) from business operations without being recognized. We will look briefly at six major stakeholder groups.

**Owners.** One well-known view has it that the only responsibility of business is to maximize profits for its owners, provided this is done without fraud or other illegality (Milton Friedman 1970). Certainly the owners (investors, shareholders, financiers) of a business have a right to have their investment managed in their financial interest. It is not quite true, though, that profits are the only concern, even for the owners. Owner/investors also have a legitimate claim to adequate, accurate information about the business and its financial affairs.

What are the ethical rights and responsibilities of business owners in various circumstances? How does this differ under different ownership structures? What responsibility and accountability do business owners have toward other stakeholders? Are there ways of evaluating the legitimacy, fairness, and appropriateness of the owners' return on investment relative to what employees, customers, executives, and other employees receive? A stakeholder analysis approaches the business ethics arena with this sort of wider and deeper interest.

Technology has affected the ownership of business by facilitating complex, vast, high-speed new ownership patterns in today's marketplace. Mutual funds own large percentages of many businesses. Under these fluid and impersonal circumstances, who are the "owners" to be held responsible for a business's behavior? How do small investors assume any of that responsibility even if they would like to?

Perhaps the answer will come as information and communication technology renders the operations of both corporate management and fund management more fully transparent and as Internet-based movements can organize small investors into effective lobbyists for reform (Tapscott & Ticoll 2003).

**Employees.** If anyone has a clear stake in a company, it is the employees whose livelihood and vocation lies there. Business ethics pays attention to employees (including management) in several ways. First, most of the ethical cases and crises that come along involve employee participation. The ethical analysis of employee choices, communications, and behavior occupies a good deal of the energy of business ethics. How managers and owners treat employees is another ethical concern. Job security, compensation, safety, harassment, prejudice, and even the quality of employee work experience, are ethically important. How should the personal ethical convictions of an employee be expressed (or not) in the workplace? How are employees trained in the company's ethics? How are ethical responsibilities related to various business roles?

Technology has modified the spectrum of ethical problems faced by employees. Technology can be used or abused in monitoring employee communication and activity. Privacy must not be violated. Confidentiality must be protected. New stress-related injuries have emerged among computer users. Computers and the Internet have enabled some employee abuses such as game-playing, pornography downloading, excessive personal use, and distribution of vulgar, hateful, or time-wasting messages to other employees. But the same technology allows for telecommuting from a home work station, sometimes greatly assisting a parent tending a sick child. New issues of health and ethical management also arise concerning possible employer expectations of employees to be connected to their work anytime, anywhere.

**Customers.** The most cynical non-ethical stance toward customers in the past was characterized by the Latin phrase *caveat emptor*---“let the buyer beware.” Viewed by stakeholder analysis, on the other hand, business ethics explores customer-related issues in marketing, advertising, and product pricing, safety, quality, service and support. What are the rights and responsibilities of customers vis-à-vis a company? Technology has made a huge impact on the development of products and services available to customers today. It also has modified marketing and advertising, as well as sales and service, by utilizing electronic media for all of these activities. Customer service and support and the privacy of customer data are among the ethical issues raised in new ways by technology. The Internet has also enabled some customers to help support each other in various user groups.

**Business Suppliers and Partners.** Business-to-business relationships have become even more important and challenging in an era of outsourcing, complex supply chains, and virtual corporations. Government regulations and legal contracts simply cannot guarantee integrity in these relationships. The essential ingredient is trust, which depends on voluntary adherence to shared values and ethics (Fukuyama). What are the ethical responsibilities of business partners to each other? As technology enables businesses to create working relationships in distant and culturally-diverse settings, where laws and local ethical values may allow for child or slave labor, discrimination against women or other religions, bribery, environmental pollution---or where Western business practices may be viewed as hopelessly corrupt, vulgar, and unjust---, the challenge to business ethics is to figure out the ethically right thing to do in relation to the business partner stakeholders.

**Government.** As the presumptive guardians of the law, justice, order, and well-being of their nations, governments are also important stakeholders in business. This is true of all business-to-government interaction but in today's economy, business's capacity to bring have both positive and negative impacts on states and their populations is extraordinary. Several large multi-national corporations have larger annual budgets than most nations in the world.

**Community.** Communities often benefit both directly and indirectly from business. A strong business climate can bring jobs, income, and skills to communities. Even those who are not investors, employees, or customers of a business can benefit from its presence. The other side is that some of the costs of the business are often “externalized” into their host community. Traffic congestion and environmental clean-up are just two examples of costs to communities. If a community grows up around a business and creates schools, roads, and other cultural and social infrastructure that makes it possible for that business to recruit good workers and thrive economically---but then, in obedience only to investor demands for higher profit margins, the business is suddenly relocated to China---there is an ethical issue here. Communities have a stake in business.

Clearly there are other potential stakeholders in a business, such as professional associations, non-profit organizations, and schools. The strategy is to identify the relevant stakeholders and put the ethical focus on their respective rights and responsibilities.

### 7. The Basic Components of an Organizational Ethics

A fourth approach to business ethics is to work from a practical analysis of the way values actually work in organizations and communities (Solomon 1992; Batstone 2003; Trevino & Nelson 1999). This approach draws from historical and social scientific studies of business (and other) organizations, as well as from classical philosophical and theological approaches to ethics and values. The goal is to understand business ethics in a way that is simultaneously holistic, integrative, deep, and practical. In this approach we might identify six components in a holistic organizational ethics.

**Motivation. Why Be Ethical in Business?** We begin by noting that it is not at all self-evident why business should be run in an ethical manner. The argument needs to be made in a way that will motivate business leaders and employees to make ethics a priority. A complete argument for operating a business in an ethical manner includes the following: (1) litigation and penal system avoidance (ethical companies generally steer clear of breaking the law; legal compliance is a sort of minimum standard of ethics); (2) regulatory freedom (increased laws and regulations result from patterns of unethical behavior); (3) public acceptance (unethical businesses are often punished by journalistic exposes, citizen watchdog groups, and a bad reputation).

In addition to the preceding three “external” reasons, i.e., having to do with the political and cultural environment in which business operates, there are four “internal” reasons to be ethical, having to do with four basic parts of any business today: (4) investor confidence (financial resources will be withheld from untrustworthy businesses); (5) partner/supplier trust (more than ever in the era of extended enterprise, business partnerships depend of trust and on ethics and integrity); (6) customer loyalty (customers avoid businesses that treat them in an unethical manner---and also avoid brands that are associated with the unethical treatment of workers); (7) employee recruitment and performance (good employees are attracted by ethical employers; especially in the “knowledge economy,” employee sharing and teamwork happens best in an atmosphere of trust and ethics).

Finally, there are three “deep” reasons for running an ethical business: (8) personal and team pride and satisfaction (business success that comes while not cutting ethical corners is personally rewarding; being ethical aligns with our nature and conscience in an important way); (9) intrinsic rightness (individuals and organizations should be ethical simply to be in alignment with a moral universe--God, reason, and human tradition argue for doing the right thing even when it does not pay off in any immediate or direct way); (10) missional excellence (being ethical is fundamentally about the essential values woven into the fabric of an excellent organization; ethics is less an external measuring stick than an internal set of traits).

**Corporate Mission & Purpose.** Assuming a business organization is adequately motivated to operate in an ethical manner, the next priority is to clarify the core mission and purpose of the organization. This is a frankly Aristotelian, biblical, and traditional starting point for ethics. “The values that govern the conduct of business must be conditioned by ‘the why’ of the business institution. They must flow from the purpose of business, carry out that purpose, and be constrained by it” (Sherwin 1983: 186). The first focal point in the positive construction of a sound business ethics is to clarify the *telos* of the business. An inspiring, unifying business mission that taps into basic human drives (e.g., to be creative, to be helpful to others) can leverage and guide sound ethics in an organization. For Aristotle, things, people, and organizations are embedded with “final causes,” purposes and destinies to fulfill, and ethics is about how to achieve such purposes. For biblical ethics, the determination of “who is God” (the First Command) is decisive for the ethical standards related to that choice (Commands Two through Ten). For great and enduring businesses, “preserving the core” mission and values is job one (Collins & Porras 1994).

**Corporate Culture & Values.** Given a clear and compelling mission, the next focal concern of a sound business ethics is the formal and informal corporate culture. Does the culture empower---or impede---the achievement of this mission? The corporate culture is not a neutral or arbitrary construction as far as ethics is concerned. No matter how excellent the mission and no matter how impressive the ethics code of a company, a defective or misaligned culture will present an insurmountable obstacle to sound ethics and business excellence. The formal systems of review, promotion, recognition, and discipline---and the informal culture of communication styles, office set-up, and so on---are what enable or

disable the mission. The positive traits that assist the mission are the virtues, the values that must be embedded in what the organization *is*, not just what it *does*.

**Business Practices & Guiding Principles.** But businesses not only *are*, they *do*. After the culture, business ethics focuses on the *practices* of the company, the basic things the company needs to do, how its people spend their time and energy. The business must identify its basic practices (specific areas such as marketing, accounting, and manufacturing as well as cross-cutting activities like communicating and meeting). For each area of business practice, the company must decide which ethical principles should guide. Ethical principles and rules establish negative boundary conditions that must not be transgressed and they establish positive mandates and ideals to pursue. Leaving important areas of practice with inadequate guidelines undermines the capacity of the business to achieve ethical excellence. This is the place for the company ethics code.

**Ethics Troubleshooting and Crisis Management.** Even in the best of circumstances, ethical dilemmas and crisis cases will emerge from time to time. It is therefore essential to create a method and framework for managing these crises effectively. The damage control focus on ethical casuistry, examined earlier, makes this the primary focus of organizational ethics, which is an invitation to an unremitting succession of such crises. But as a component subordinated to a broader, more holistic business ethics, the crisis management, dilemma resolution part of the ensemble is essential. More and more corporations are creating ombudsmen, ethics and compliance offices, ethics hotlines, confidential means of raising questions or reporting questionable activities, whistle-blowing protocols, and the like. It is essential that businesses make clear what their employees and other stakeholders should do when apparent ethics questions and problems arises.

**Ethical Leadership.** Finally, business ethics requires that attention be focussed on leadership and management. Exemplary ethics doesn't happen without leadership. Ethics and values leadership must come from the executive and board levels of a company in the form of communication as well as action. Leaders must be heralds of the values and ethics that matter. They must exemplify the highest ethics in their own behavior. And they must create systems, structures, and policies that support and reward ethical excellence and sanction unethical actions. Business leaders must create and maintain ethics training and evaluation programs throughout the organization.

## 8. The Impact of Science and Technology on Business and its Ethics

While business has often been conducted in a non-scientific and non-technological, traditional manner, ambition, competition, and the pressing need to solve business challenges of all kinds have encouraged business to learn from, and even sponsor, scientific and technological work. Especially during the past three or four centuries, business, science, and technology have worked closely together. Manufacturing, construction, and transportation technologies decisively reshaped modern business since the dawn of the "Industrial Revolution." Communication and information technologies have been the center of the most influential developments in recent decades. Biotechnologies may turn out to be the most significant arena for business/science/technology interaction during the 21<sup>st</sup> century.

Science and technology have affected business and its ethics in several important ways. First of all, they have introduced radical change in the products of business. Technological products dominate virtually every area of our lives, virtually every hour of the day. A host of specific ethical questions may be raised about these technological products, regarding their safety, reliability, cost and value, appropriateness, and side effects. Is their manufacture, usage, and disposal done in an environmentally-responsible way? Are the trade-offs, the winners and losers, and the side effects, ethically appropriate and justifiable?

Science and technology have also transformed the workplace in important ways. The mechanization and automation of the workplace has continued unabated for two centuries. Information technology has enabled businesses to extend their operations all over the world and around the clock. How are we to evaluate the outsourcing and exporting of jobs and the disruption of local economies by technologically-enabled global business? How do traditional safeguards against unethical acts by the powerful, such as national borders, local customs, and face-to-face, human-scale accountability relationships, get replaced today? What are the ethics of allowing, if not even encouraging, workers to stay connected and available to their work 24/7?

Technology acts as an amplifier of both problems and possibilities (e.g., the greater accessibility of medical records has both positive and negative sides). It also creates greater speed, reducing our time for exactly the sort of careful ethical reflection required by the growing scale of the problems.

Technology is much better at increasing the quantity of information and communication than the quality of our knowledge and the wisdom of our relationships. Technology creates many new opportunities for diversity, while it also tends toward standardization and repetition. Technology brings about a significant democratization of knowledge while it appears that a new “digital divide” is emerging around the world.

In 1911, Frederick W. Taylor’s *Principles of Scientific Management* promoted a new way of thinking about business management that privileged expert, technical judgments over those of ordinary workers and citizens. Taylor argued that efficiency was the primary goal of human thought and labor and that what could not be measured did not count. Henry Ford’s automobile assembly line famously applied this kind of thinking. Workers became virtual appendages of machines. While there were certain gains in production from the Taylor and Ford approach, it became clear by the 1970s that even greater productivity was possible through a more humane and respectful treatment of workers.

What is sometimes overlooked in discussions of business and technology is the way that technology itself is embedded with certain basic values, such as efficiency, quantifiability, power, speed, repetition, predictability, rationality, and so forth. So long as technology is viewed as a set of tools and methods to help a business achieve its mission, those technological values can be located in a richer cultural context that also preserves values like openness, innovation, risk, human caring, beauty, and quality. If technology is put in the driver’s seat rather than the tool box of business, it will eventually come into conflict with the humanity of workers, customers, and other stakeholders, at a considerable (if not total) cost to workers, businesses, and the larger economy. In short, business ethics in the coming years will need to pay serious attention not just to the complexities of particular technological innovations but to its collective impact on the mission and culture of businesses and their surrounding communities (French 1995).

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