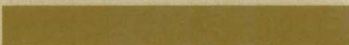


An Introduction to

BUSINESS ETHICS



JENNIFER JACKSON



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Jennifer Jackson

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Contents

Acknowledgements	vi
Introduction	1
1 Where to Begin	8
2 Doing Right	14
3 Doing Well	27
4 Motives, Moral Reasons and Compliance	41
5 Virtues for Life	55
6 Reconciling Business Life with Moral Virtues	79
7 Role Duties	99
8 Good Practice in Business	112
9 Good Practice in the Firm	130
10 Good Practice outside the Firm	149
11 Virtues, the Key to Good Practice	165
Notes	187
Bibliography	196
Index	203

Introduction

By 'business ethics' let us understand: the study of practices and policies in business, to determine which are ethically defensible and which are not. The purpose of this book is to explain why people in business need to join in this study and to suggest how they should set about it, what they can expect to get out of it and what they should be able to give to it. In order to make good my claim that it is worth while for business people to engage in this study, I have to show that business people need to take part – they have something to learn that they do not know already and that they need to know. This book aims to be relevantly informative – to help people in business to find their way in dealing with the ethical problems that they can expect to face and do need help with.

Is this a credible aim? Let us consider two kinds of doubt: the first about the feasibility of studying ethics in order to determine what practices are ethically defensible – as against what practices are thought to be so – and the second about the usefulness to people in business of the results of such a study even if it is feasible and ably conducted.

The Feasibility of Practical Ethics

Practical ethics (or practical morality – I will use the terms interchangeably), let us understand to be about 'how we should live with each other and with ourselves'. But is this something that it makes sense to study? Some people are so struck by the difficulty

2 Introduction

of reconciling differences of view on moral matters, especially between people from different cultures, that they adopt a position of moral relativism: they contend that there are no moral truths to be discovered; no such thing as *the* difference between right and wrong but simply the difference as drawn by this society or that. Thus, according to this relativist view, there can be no *critical* enquiry into what we *should* think is ethically defensible, only empirical enquiry into what we, or others, *do* happen to think.

But why should we agree with this view? There is no good reason to believe it and plenty of reasons to disbelieve it. There is no good reason to believe it: the mere fact that there is disagreement, even deep disagreement, on moral matters between different cultures is consistent with the truth of relativism but also with its falsity. There are plenty of reasons to disbelieve it, since if it were true we would have to abandon many of our convictions, such as, for example, the ideas that there can be moral progress – and regress – and that some practices accepted in other societies and not our own are less – or more – enlightened than our own. Part of the appeal of the relativist stance is that it cuts the ground from under the feet of those who adopt attitudes of moral superiority towards people of different cultures and customs. Yet just because we reject the relativist view about the impossibility of comparing customs and practices critically, we need not condone ignorant smugness and prejudice towards other people's strange customs.

In this book I proceed on the assumption that *critical* enquiry into what practices are and are not ethically defensible is feasible. We have enough in common with one another – in what we need, in what we are capable of, in our shared circumstances – that it is possible to speak *generally* about how we should live our lives, whoever 'we' are. In so saying, I make certain assumptions about what makes for living well and for living wretchedly and about the extent to which our individual fortunes depend on our *own* choices and attitudes. I assume that there are certain evils which can spoil *any* life – for example, loneliness, enslavement, poverty, boredom, lack of self-respect – and that to some extent it is in an individual's power to develop character traits that give one the best chance of avoiding the evils or, where that is not possible, minimizing the harm they do. These character traits we call 'moral virtues'.

How we fare in life depends plainly in many respects on factors beyond our own control – the times we live in, our own genetic inheritance, the kind of family, if any, we are born into, the opportunities that come our way through life, the accidents that befall us and those dear to us. Yet, however our personal histories unfold, the only influence or power we each of us can bring to bear on our fortunes is through developing virtues and avoiding vices. We do, of course, also influence our own fortunes through the skills we learn, the knowledge we acquire. But the powers we gain thereby only improve our lot in so far as we use judgement in how we apply them – for which we need virtues, as I shall argue. Individuals who are trustworthy, fair, courageous, wise, humane and industrious fare better in the hurly-burly of day to day living than do those who are shiftless, sneaky, cowardly, foolish, mean or lazy. This is true whether the individuals we are speaking of happen to be male or female, young or old, rich or poor, in robust health or invalids, Britons living in the 1990s or those to whom Aristotle gave his lectures on moral virtues in the Lyceum around 347 BC.

Consider, for example, the story in *A Suitable Boy* of how Haresh manages to double the production of shoes in Praha, a Czech footwear company located in India.¹ His business success, how he wins ‘the Battle of Goodyear Welted’, depends entirely on the impact of his character both on those under him and those over him in the managerial hierarchy. He wins the trust of those he has to persuade to cooperate by demonstrating not only his first-hand understanding of the work he is asking of them, but also his energy and perseverance, for he amazes the workers by himself accomplishing the task before their eyes that *they* say cannot be done. In similar style he astonishes his superiors. His transparent honesty and fairness coax the workers out of their habitual defensive practices. They are prepared to cooperate because they have reason to believe that it will be in their interests to succeed. They believe in him because he explains to them what he wants, how they can bring it about and why they will gain thereby. He takes them into his confidence as equals and they are won over.

No less impressive is how he overcomes the coolness of his Czech employers and their general prejudice against Indian employees. It is the same evident honesty, fairness, straight dealing,

4 Introduction

energy and informedness that wins them round. His virtues of character enable him to judge astutely what he and those with whom he deals are capable of, and what persuasions will be effective. The inspiration of his strategy and the shrewdness with which he brings it off are part and parcel of his moral character.

We can understand Haresh's success in the Praha company as a triumph of character, of his personal virtues. The story of his success is entirely credible because his virtues are recognizable to us – as to those with whom he deals – despite our own remoteness from the context in which these are demonstrated.

To be sure, establishing that fairness or honesty is a virtue does not of itself tell us what actions or choices are ethically defensible or indefensible. But it is a beginning towards answering that kind of question. It at least helps us to understand the importance of the study of ethics – we all of us want our lives to go as well as possible and to use what control we have over our own fates effectively: 't is in ourselves that we are thus, or thus. Our bodies are our gardens, to the which our wills are gardeners: so that if we will plant nettles, or sow lettuce; set hyssop, and weed up thyme; . . . why, the power and corrigible authority of this lies in our wills.'²

The Usefulness of Practical Ethics

Even if the aim of this book, to help people in business to find their way in dealing with ethical problems, is an intelligible one in that there are correct and incorrect answers to these problems, it may still be doubted whether a book of this nature is going to be useful to people in business. Those who care, who have a conscience, do not need instruction on business ethics, and those who don't care, aren't interested – it will be said.

But this is over-simple. Those who care are likely to be aware of how morally complex many decisions they have to make are. You may be appalled to think of young Indian children toiling through the day manufacturing cheap products that you stock in your shops. But if you cease to import their products do you in any way improve their chances of an education? What is *your*

responsibility? Are they being exploited? If they are, are you implicated if you provide a market for their products? To take another case: you might have some information that is suggestive, but far from conclusive, that there is a link between incidents of leukaemia and the proximity to people's houses of power cables that you are having erected. The law, let us suppose, does not oblige you to bury cables – which would be extremely expensive – but should your conscience oblige you to do so?

Now, in order to deal with real problems in business where what is ethically defensible in the circumstances is not obvious even to those who *want* to act well, it helps to have an understanding of the basic moral notions. Perhaps many people have this understanding although they do not, and maybe could not, if called upon, articulate it. In order to convince others who do not agree with us as to what is ethically defensible or indefensible in a particular situation, it is necessary not only to understand but to be able to explain. In order ourselves to resolve ethical problems even to our own satisfaction, we need to develop the vocabulary in which to meditate on them. My aim is to provide explanation, to provide a philosophical backbone for business ethics. It is easy to underestimate the importance of introducing the study of business ethics with an analysis of certain basic notions – notions of right and wrong, good and bad, obligation and virtues. Perhaps just because these are all very familiar notions, not in any way technical, we assume that our understanding of them is adequate and that we do not need to reflect on their meaning. We do. Many introductions to this or that branch of practical ethics breeze too lightly over this necessary preliminary to the study of cases. It pays to take our first steps with great care, rather than to hurry down any path that beckons. The philosophical backbone is needed to give us a firm basis for addressing the practical issues.

This book does not tell people in business what is ethically defensible or indefensible where that is not already obvious to honest, reasonable people. What it offers, though, is information that such people themselves need to understand if they are to work out the substantive answers in morally complex situations. I offer a map of morality and the marching orders for anyone in business (whether doing business just on one's own behalf, on behalf of a commercial enterprise or on behalf of a charity). The

map will be of no use to people in business who think they know the way and need no guidance for dealing with the ethical dimension to the decisions they make. But for those who feel the need, the map should help them to a basic understanding of the complexities of choice, of what makes choices difficult and why it matters how one chooses, and of what more needs to be done with the basic map so as to make it more informative in this or that line of business. My aim is to set people on the right track, not to lead them along it. In short, this book is strictly an introduction to business ethics – but one that aims to make the reader glad to have been introduced.

Business ethics, I maintain, requires both philosophy to provide a basic map of morality and the judgement of people experienced in a business to fill in the detail on the basic map. The basic map has to do with what Elaine Sternberg calls ‘the eternal verities’³ – it should not change over time, although there may be superficial updatings of presentation to make it accessible to different audiences. The filling in of details on the map, though, will vary depending not just on whether those who are adding detail are improving the map for their business colleagues as against doing so for nursing or teaching colleagues, but depending on the specific type of business, the scale, the society in which it operates, the level of technology involved and many other variables. The basic map calls for philosophical understanding, the more detailed map calls for experience-based knowledge within a particular business. But those who provide the detail need first to get hold of the basic map and then to understand it. This is what I hope to explain in what follows.

Further Reading

On moral relativism

See Stace, ‘Ethical relativity and ethical absolutism’; Sumner, ‘A defense of cultural relativism’; Benedict, ‘A defense of moral relativism’; Hospers, ‘The problem with relativism’; Midgley, ‘Trying out one’s new sword’; Rachels, ‘Egoism and moral scepticism’; Wong, ‘Relativism’.

Study Questions

- 1 What else (other than the truth of moral relativism) might account for the difficulty of resolving disagreements on ethical issues?
- 2 Are there some ethical issues about which agreeing to disagree is ethically defensible and some about which doing so is not? Give examples of differences that you consider fellow members of a firm should/should not be prepared to tolerate. How do you decide what should/should not be tolerated?

1

Where to Begin

Two Kinds of Difficulty

There are two kinds of difficulty in ethics: difficulties in identification – of what is your duty in a particular situation, for example; and difficulties of compliance – of doing your duty once you know what it is. Perhaps the public's perception of business ethics reflects its awareness of the latter (compliance) problem – how to prevent skulduggery, mischief and negligence – whereas the concerns of those people in business who recognize the importance and relevance of business ethics reflects their awareness too of the former (identification) problem: how to establish what policy or decision is fair and reasonable.

Identification Problems

What gives rise to identification problems, that is, problems over what in particular circumstances it is ethically defensible to do? One common kind of difficulty occurs where your role (or roles) gives rise to competing claims tugging you to act in incompatible ways, as when the obligation to be honest requires action that injures the interests of those whom you have a duty to protect. Suppose, for example, you are asked to report on the viability of a branch of your firm: your honest and considered opinion may be that the branch is not viable and that it is in the long-term interests of the firm to close it down despite the valiant efforts you know the employees there have dedicated to improving its

performance. On the other hand, in giving such advice are you not betraying the trust of those very employees who formerly rallied to your pleas for greater productivity and who are in no way to blame for the plant's present failures – their efforts are perhaps being undercut by foreign competition? Would these employees have stayed with the firm if they had not believed that you were advising them in their interests (as maybe you thought then you were doing)? Even if legally they have no claim against you, even if you did not make any explicit promise that the plant would be kept open, do they not have a moral claim on you – especially where you know that their prospects of finding other employment are now bleak?

Two things are worth noting about this kind of problem. Firstly, *that* you see the situation as ethically difficult does not show that there must be a deficiency in your moral character or moral education. On the contrary, those who are well-meaning, conscientious and thoughtful are more likely to be troubled about such situations than those who are not. Secondly, working out what it is right or all right to do in the particular case is not *just* a matter of having good guidelines, a well thought out code. However good the code, the problem of applying it in the particular case often requires judgement and study of all relevant particulars.

Another common kind of difficulty over identifying what it is ethically defensible to do involves the justifying of means in terms of ends. Obviously, the rationality of your choice of means relates to its appropriateness in relation to your ends. Acting ethically obliges you to vet both ends and means. Thus, even if an end is innocent, even praiseworthy, and even if the means proposed is appropriate, even necessary, for achieving the end, there may still be ethical objection to the means. Ethics sets constraints not only on what aims we may pursue but also on how we may pursue them. Thus, for example, even if your goal is disinterested, to protect loyal and deserving employees' jobs, that does not justify your falsifying accounts or bribing your accountant to do so, even if you can find no other way to avoid employees being made redundant.

On the other hand, actions that would normally not be ethically permissible means are sometimes justified precisely because they are in the circumstances 'necessary' – necessary in relation to

10 Where to Begin

some end. It is generally thought, for example, that you may be justified in killing another person if so doing is truly necessary to defend your life. There is then a problem over where necessity makes a means that is usually off-limits permissible. Might you, for example, be justified in lying in self-defence where it is not your personal survival that is at stake but the survival of your business – which, after all, is the source of many employees' livelihoods?

Compliance Problems

What gives rise to difficulties over compliance, that is, difficulties over doing what you know you ought to do? In some cases the difficulty is bound up with the apparent, if not real, divergence between duty and interests. Thus, it may be quite clearly your duty to be the bearer of bad news – for example, that targets proposed by the management are unrealistic or that a machine modified inappropriately (maybe against your advice) is not functioning efficiently. In the circumstances it may be obvious to you that your reporting this would be tantamount to career suicide: proverbially, the bearer of bad news often gets the blame.

When duty and interests diverge, it may not be self-interest narrowly conceived that stands in the way of duty; it may be – and often is – concern for others. It may, for example, be your duty to report on a colleague's alcohol problem if that is affecting his work – something which for friendship's and for loyalty's sake you are loathe to do.

In general, where doing as you ought requires heroic self-denial or sacrifice a fair degree of non-compliance is only to be expected. The responsibility for non-compliance by individual employees rarely rests just with them. The culture of the organization in which they work may invite rather than discourage non-compliance. If, for example, the rules to which you are supposed to adhere are openly, regularly flouted by your fellow employees and the company simply ignores this, it is not unreasonable of you to look on the rules as mere window dressing: you can expect to be considered a chump if you are scrupulous about complying with them.

On the other hand, no amount of managerial vigour in promulgating and policing rules can ensure compliance. There has to be a willingness and respect for the rules on the part of those who are expected to comply. Thus, if the disparities in pay within a firm seem arbitrary or unfair to those who receive less, they may not scruple to 'compensate' themselves by petty pilfering or other perk-creating deviance from the rules. What illicit extra they pocket in this way they may regard as no more than their company owes them. If the rules themselves or the company policies or practices that the rules support (for example, over promotion, hiring or firing) seem to be discriminatory or arbitrary, compliance will at best be grudging – the interviewee who lies about her age because she considers it irrelevant, and unfair of you to ask.

Sometimes what appears to be a compliance problem turns out to be an identification problem – because what compliance requires of you in a particular case may be uncertain. Rules do not apply straightforwardly in every circumstance. Where the circumstances are atypical, judgement is needed over how a rule applies. It can also be unclear whether a rule is meant to apply strictly or only as a general guideline: 'Always treat the customer with respect' – does this apply even to the customer who is harassing your colleague?

We have noted that problems over identification do not occur just where those who confront them are personally morally deficient; that, on the contrary, they are more likely to be noticed and pondered over by those who are conscientious and reflective. The same is true, at least in some cases, where there is non-compliance. Non-compliance is not always a matter of individuals' mischief or skulduggery. It may arise from misunderstanding, and decent people may be driven to it or lulled into it under neglectful management.

How to Begin

How should one begin an enquiry into the ethical and the unethical – how to tell one from another? Is not the difference a matter of common knowledge? Do we not all know the difference

12 Where to Begin

between right and wrong? And if we know it should we not be able to state it, to explain it? We have noted two kinds of difficulty. In order to cope with the difficulty of identification we need to acquire judgement. In order to cope with the difficulty of compliance, we need to acquire commitment. Now, both judgement and commitment presuppose certain qualities of character, namely, moral virtues. We may know the difference between right and wrong in a general way, but still be baffled as to what course of action is ethically defensible in a particular situation – whether, for example, to give an employee who has been performing poorly since his late wife's sudden death, the sack. We may be in favour of doing right and avoiding wrong in a general way, yet be reluctant to do right if the cost of so doing is acute – to ourselves or to our friends. What we need in either case is certain virtues of character. What these are, how they are acquired and why they are worth acquiring will be central to our enquiry. But in order to understand properly what moral virtues are and their central role in making sense of ethics – what it is and how it matters – we need to begin by examining some basic notions, which, though familiar, are difficult to give an account of.

Further Reading

On identification problems

See Nuttall, *Moral Questions*, chapter 1; Cederblom and Dougherty, *Ethics at Work*, chapter 1.

On compliance problems

See Plato, *Republic*, St 357–67. (The standard means of reference to passages in Plato is according to the pages of the Stephanus edition of 1578. It is customary to record these in the margins of translations.) See further Rachels, 'Egoism and moral scepticism' and Singer, 'Why act morally?', and relatedly on conflicts of interest, see Macklin, 'Conflicts of interest'.

On how to begin

See Midgley, 'The origin of ethics' and Solomon, 'Business ethics'; see also Warnock, *The Object of Morality*, chapters 1 and 2.