

Compatibility of Business and Ethics

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ABSTRACT

There is a traditional belief that business and ethics are at odds. Business has a primal motive of earning profits and the notion is that it is achieved through all possible means. Possible means can mean new and old, good and bad or ethical and unethical ways. But trust and integrity are essentials to carry out a business. There lies the rift in business and ethics, questioning its compatibility. This paper is purely conceptual. The objective of this paper is to find if business and ethics are compatible. Viewpoints and observations of various authors with respect to the compatibility of business and ethics are identified in this regard. Perceptions and findings of researchers to identify the causes for unethical practices in business are also focused to bring a better view of business ethics. Attempt is made to provide suggestions for eliminating unethical behaviours in business. It is very difficult for a business to be purely ethical. A state of perfect society is an impossible dream but if a business wills, it can always strive harder towards ethicality.

1. Introduction

Oxymoronic is the term usually described by many when we coin the subject 'business ethics'. Businesses exist with the idea of making profit and a businessperson will always aim to maximize this profit. "There is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." (Friedman, 1970). When business schools and colleges are encompassed with courses on business ethics, it is irony that the real business out there is encompassed with scams and scandals. While a list of organizations that are guilty of following unethical practices are compared to ethical organizations, the former might significantly exceed in the list. This poses the question that can ethics really exist in business. People have a notion that the only aim of business is to make profits and this is achieved through any means. But trust and integrity are essentials to carry out a business. There points out a gap between business and ethics. "Profit versus ethics is an old debate resurfacing time and time again. It is an issue that involves individual gain and social welfare." (Ghosh, Ghosh, & Zaher, 2011). This is a query raised and debated by several from time to time. Townley (1992) questions how often business ethics is heard to have a caustic reference followed by an oxymoronic position and assure that corporate leaders cannot be considered in the stated quality. Stark (1993) infers that business ethics is largely irrelevant to managers (not because they dislike but due to the competitive pressure in the real world). Dickey (1997) states that during the 1980s and early 1990s, business ethics was coined to be oxymoronic and the business leaders begin to conceive the thought that being ethical is not an option. Duska (2000) aims to find if business and ethics is actually compatible or the term 'business ethics' itself is oxymoronic. If the only motive of any business is to make profits and during the competitive pressures it is achieved at the expense of another, then he claims that there is no such thing as business ethics. There lies a rift between the terms as business is all about

increasing profits. In reality business professionals are praised not for their concerns to justice but for their bottom line performance. Kelly (2002) points out that each time scandals like Enron, Merrill Lynch, Arthur Andersen, and WorldCom appear it questions the compatibility of business ethics. Haddad (2007) suggests that business and ethical considerations often conflict to each other. Espoused codes of ethics and deeds upon them are two different things. Business ethics can mean using ethics for enhancement of business performance and reputation or adopting ethical behaviour towards achieving goals or just being committed to ethical virtues like integrity, honesty and trustworthiness.

Business ethics is a controversial topic. Business ethics has gained so much popularity as if the businesses were unethical before. Business ethics is like an artificial marketing product (Jones, Parker, & Bos, 2005). Various authors argue that as business has its own objectives and priorities, so the ethical standards and ethical judgements cannot be applied into the context of business. Theorists also argue that profit making is not a morally neutral activity (Keller-Krawczyk, 2010). There is no much support to the statement that ethics can make profits and trust in organisations is good for a long run survival. This is a confusion of marketing with ethics and selfishness with responsibility. A flourishing company will always want to attract more customers and strive towards their needs. The obsession of trust in organizations is due to threat of treason (Sigmund, 2011). Earlier the US institutions largely concentrated on business ethics in academics as well as research. However in the recent years, top-ranked US institutions have reduced the impact in research and the Europe and Asia-Pacific countries have increased research in global business ethics. The European institutions have risen to top in business ethics research based on research impact (Chan, Fung, Fung, & Yau, 2016). Before attempting to understand if business and ethics are compatible, it is necessary to have a brief review on the perceptions of various researchers about business ethics and the impetus behind unethical businesses.

2. Business Ethics

There is no universally accepted ethics and if there is any claim to be ethical should be justified accordingly (Koch, 2010). Theories of economic utilitarianism and deontological ethics cannot compose the contemporary business as these were formulated long before the advent of large corporations. Utilitarianism concentrates on a self-centred end and deontology emphasizes the rights of a person and the duty of another to respect that right, both ignoring the moral motivation (Jamnik, 2012). "Business Ethics is basically a branch of applied ethics relating to business activity of human beings." Laws of the state are generally considered to be just, so illegal behaviour is considered unethical. But sometimes an action is perfectly legal but it can still remain unethical. The notion of business ethics and social responsibility were low pitched until 1960s. Later certain events such as the Civil Rights Movement in US, environmental and consumer problems led to the thought of business ethics and in 1980s business ethics was presented in curriculums and in 1990s corporations commenced to integrate their own code of ethics (Keller-Krawczyk, 2010). Business ethics in India is assumed to be largely originated from the religion followed. Traditional Indian businessmen were moral based and had ethical responsibility compared to the modern Indian businesses as modern businesspersons tend to be free of religious constraints and pursue his/her ends, thus leading to deterioration of ethics in business (Berger & Herstein, 2014).

3. Why business becomes unethical?

Promotion of corporate governance and corporate social responsibility has not led to the prevention of unethical behaviours in market. Perhaps such deeds are due to pressures of stakeholder, dominance of financial considerations, reign of media and communications, hardships in implementing strategies and short-term tactics. Managers will be confronted with ethical dilemmas and a choice from these will be definitely difficult. A constant tension will exist between theory and pragmatism. For competing in this current environment, availability of ethical guidelines for day to day activities is missing from the recent positive evolutions for the managers and entrepreneurs (Fassin, 2005). Managers are accountable to owners. When managers work as persons but not managers it's an issue and if managers work for social responsibility, they are using somebody else's money without their direct concern, thus managers tend to be in dilemmas (Sigmund, 2011). As long as human greed is uncontrollable, the scope for trust and mutual care amongst them will be minimal (Jamnik, 2012). Organizational ethics is a vital concept but this concept cannot be allied with individual ethics. Certain fundamental differences are there with respect to knowledge in organizational and individual ethics (Slavitt, 2013). A study showed that the Millennial generation entrepreneurs (Gen Y) consider business ethics important but this isn't consider as a factor in the decision making process to commence their business (Andrews, 2014). Survey conducted on business graduate students revealed that there exist pressures to act unethical in business decision making (Jaunich, 2015). Focus on bringing in moral norms in the initial phase is possible and is not only the requirement of business ethics or even for ethics in general; but maintaining stability is a much harder task in this competitive market (Luetge, Armbruster, & Muller, 2015). Some

small companies are non-compliant with ethics requirement because they are unaware of the change or not known how to comply or lack resources to remain abreast with the policies. Other risk to non compliance may be due to false sense of security or wilful ignorance towards rules (Nichols-Jackson, 2016). There exists a gap between what businesses should be doing and what businesses actually do (Brenkert, 2018). Knowing what can business ethics be all about and knowing the reasons why business individuals still ignore them, is there a scope to adhere to ethics in business? Can business ethics exist in its true sense in this contemporary world?

4. Compatibility of Ethics in Business

A system of elementary cultural transmission based on imitation was transformed to a system of efficient cultural heredity based on teaching. This led to an evolutionary success of the conceptual ability to classify the acquired behaviour as good or bad (Castro & Toro, 1998). Adam Smith (an economist as well as an ethicist) stated that market is compatible with morality if free pursuit of self interest is within the limits of justice and fairness. But such concerns for justice against the selfish attitudes existed then have been lost today. However it is claimed that success of a business is impossible if most of its people have not followed some ethical constraints. And to act ethical it may be hard and will cost too. Sometimes the act might be ethical but not the purpose. Society invented business; hence business cannot aim only for profit making but required to adhere to the societal needs making business ethics possible and not an oxymoronic (Duska, 2000). The ultimate focus of the business world is profit centred leading to the increased tendency for inappropriate course of action. The tendency on one side is towards the target earnings and the other is towards justifying the means for those targets. Willingness of human minds to do the right thing is what all matters at the end (Micewski & Troy, 2007). Wealth maximization became popular during the 1990s in theory as well as in practise. Holding to ethics even if only a marginal profit is made in the short run hoping to weigh it up in the long run is satisfactory but ethics is being compromised when the survival itself is at stake. A good level of truthfulness, integrity and honesty required for an efficient business argues that ethics and business are inseparable but the immoral behaviours due to greed and dishonesty in the commercial society claims that ethics and business conflict each other. Thus business and ethics have an intimate at the same time a varied relationship (Haddad, 2007).

Profit seeking is a state of continued operation and profit maximization is a point to utilize the resources of the society both having a number of positive consequences. This ethically justifies the ultimate goal of profit maximization by the top executives provided that the firm is in line with the laws; and neither norms nor social customs are violated (Koch, 2010). Business ethical problems are rarely solved by the "invisible hand of the market", hence business ethics becomes a necessity (Keller-Krawczyk, 2010). There is a belief in Zimbabwe that ethics and business do not mix. "Where basic commodities are scarce and the obligation for profit making is pitted against the need to remain ethical, serious moral conflict may arise" (Mawere, 2010). Through instances taken from transfer pricing and public goods-based economy, it can be seen that profits and ethics are quite compatible. This

compatibility is within the strait jacket of corporate targets and community rules (Ghosh, Ghosh, & Zaher, 2011). While comparing the living standards of New Zealand and Australia for the last four decades, it is found that New Zealand have largely fallen behind Australia. For determining the economic growth of a country it is said that trust and integrity are essential factors. Thus ethical behavior of a community leads to a fairer distribution of resources improving the relationships among people and enhancing the standards (Rea, 2010).

Consumers also play a role in promoting the ethical or unethical behaviour of an organization. A finding revealed that the consumers' tendency to consider ethics is different depending on the nature of the purchases. Consideration of ethics is significantly lesser in luxury purchases when compared against the commoditized purchases and thus raising a call on the ethical problems in luxury consumption (Davies, Lee, & Ahonkhai, 2010). Significant code of ethics is being perceived by consumers especially in environmental awareness, labour law and animal welfare but there is a significant knowledge gap between what is being perceived and what the actual ethical practice is. Consumers' perception on ethical business varies based on the demographic variables, ethnicity, income and education (Ferdous & Aziz, 2014). Achievement of organizational outcomes largely depends on the primacy of ethical culture in that organization (Riivari & Lämsä, 2014). There is a severe impact of ethical issues on a company's reputation (Andrade, Hamza, & Xara-Brasil, 2017). If business is based on profit maximization and the behaviour of homo oeconomicus (meaning here as unethical and selfish economic man), principles of businesses cannot run commensurable with ethics. Responsibility nowadays takes the form of corporate social responsibility which is a principle in the rulebook despite of an act independently decided. The pure sense of business ethics would be refused by businesses and would be regarded as impractical and unmarketable. However business ethics is related to profit and striving towards a better society is possible. No achieved state is satisfactory; there is always a possibility for a better or more ethical state (Sigmund, 2011).

5. Approaches towards ethicality

The leaders and executives at the top must be an example to bring about a real and lasting effect (Dickey, 1997). A means to ethical strength in the future is a practice of integrity-based leadership and governance by the top executives in the global business organizations with an aim of attaining the worldwide universal standards of fundamental ethical values (Hoffman & Driscoll, 2000). Progress from the tension between ethical theory and its pragmatism can be made through effective carrying out of ethical discourse in firms. For achieving this ethics should be managed not only in large strategic issues but

even to day to day activities of the industry. Ethics in business is not about corporate social responsibility (CSR) and corporate governance but much more than that (Fassin, 2005). Inclusion of ethical courses in the curriculum of business schools and trainings of business executives might contribute to ethical development and moral consciousness (Micewski & Troy, 2007). Instead of evaluating the organization through a comprehensive individual ethics, it is better to focus on an aspect of the organization which is the internal operations of the organization. This means that to concentrate on the intermediate ends and ultimate ends in an ethical manner to bring much more adequate results (Slavitt, 2013). All organizations should be careful with the espoused acts and the actual acts for an ethical decision. Attempts should be made to thoroughly understand all components of learning organizations and fully involve employees at all levels of learning processes. In short, organizations should mind the gaps between what is said and what is done (Craft, 2013). Business schools play an influential role in laying the foundations for ethical behavior and socially responsible actions in the business community. A study conducted found that ethical climate was a significant predictor of unethical behavior, such that students with positive perceptions about their business school's ethical climate were more likely to refrain from unethical behaviors'. Moreover, it was found that high moral and institutional identities strengthened the effect of ethical climate on unethical behavior (Birtch & Chiang, 2014). The increased financial scandals have made it crucial to improve the effectiveness of business ethics and corporate social responsibility education. Studies revealed that ethics courses have improved the awareness and importance of business ethics among students when experimented through unfriendly environment (Tormo-Carbó, Seguí-Mas, & Oltra, 2018).

6. Conclusion

Perceptions and observations by researchers if business and ethics can align together might go on and on. Some researches opinions that business and ethics cannot be compatible; and some researches claims that business ethics is possible. But it can be understood that business ethics in its pure form is never possible for any business in the long run. Through internal or external provokes a business will surely tend to give up even if it interests to stay abreast with its values. So the question arises that if such a state in contrast to ethicality always prevails in the society then can it be concluded that business and ethics cannot go hand in hand. It can be understood that business is never purely ethical. Nor business is purely unethical. A state of perfect society is an impossible dream. But there is always a possibility of a better ethical state.

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