



Business Ethics as Personal Ethics

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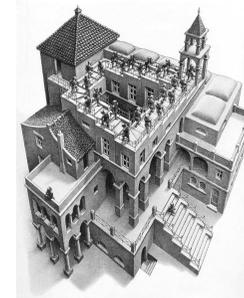
November 14, 2015

Business Ethics as personal ethics

1) What is Business Ethics



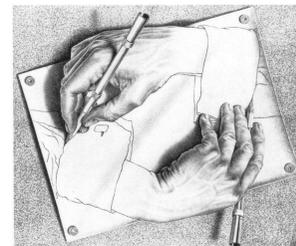
2) The task of Business Ethics



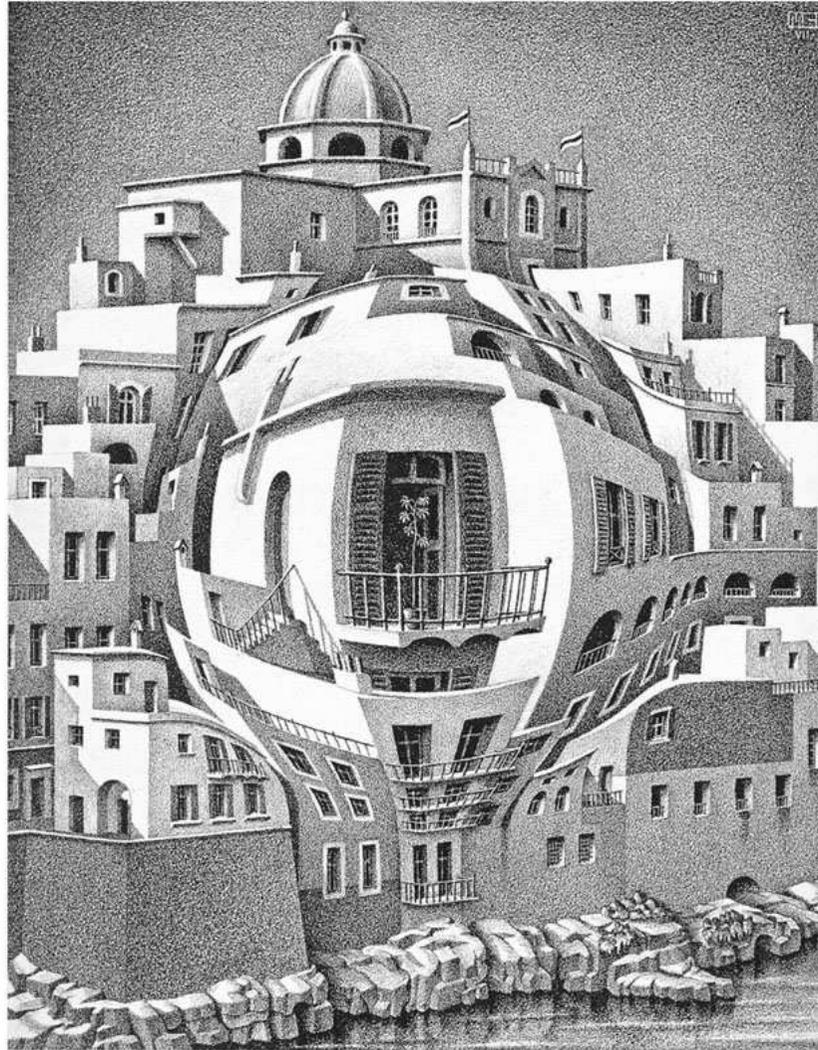
3) The failure of of Business Ethics?



4) How to be ethical?

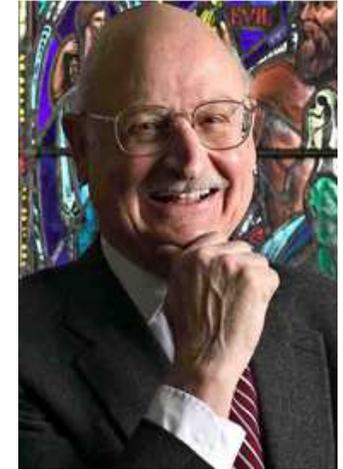


1) What is Business Ethics



M.C. Escher *Balcony* (lithography, 1945)

What is Business Ethics?



- At least three things:
 - «The primary sense of the term refers to (...) academic writings and meetings, and in the development of a field of academic teaching, research and publication»
 - «it often became equated with either business scandals or more broadly with what can be called "ethics in business"»
 - «a movement within business or the movement to explicitly build ethics into the structures of corporations in the form of ethics codes, ethics officers, ethics committees and ethics training.»

De George, R. T. (2005) "A history of business ethics". In *Proceedings of the accountable corporation*. California: Santa Clara University.

What is Business Ethics?

- Three senses of the term:
 - **Academic business ethics**, to be evaluated scientifically
 - **Behavioral business ethics**, to be evaluated ethically
 - **Structural business ethics**, to be evaluated managerially

What is Business Ethics?

- Three senses of the term:
 - **Academic business ethics**, to be evaluated scientifically  **This talk**
 - **Behavioral business ethics**, to be evaluated ethically  **The theme of the talk**
 - **Structural business ethics**, to be evaluated managerially  **The industry of ethics**

The success of Business Ethics

«THE CSR industry, as we have seen, is in rude health. Company after company has been shaken into adopting a CSR policy: it is almost unthinkable today for a big global corporation to be without one.»

Economist, The (2008) *Just good business; A special report on corporate social responsibility*, January 19th. p.21



The evolution of Business Ethics

«Although the first course in business ethics was offered by Harvard Business School back in 1915, it is only since the mid-1980s that business schools have truly taken the subject to their hearts. Blame this renewed interest on a string of business scandals: Drexel Burnham Lambert, Guinness, Salomon Brothers, Robert Maxwell and Recruit, not forgetting Olivetti, Fiat and a big chunk of the rest of corporate Italy; the list can seem endless...

The evolution of Business Ethics

Market-driven as ever, business schools have risen to the challenge. In America alone, on one estimate, more than 500 courses on business ethics are on offer; 90% of the country's business schools now teach the subject. Globally, more than 20 research units now study the topic, and business-ethics journal abound.».

The Economist «How to be ethical, and still come top» June 5th
1993

1993



The failure of Business Ethics

«All this is convoluted code for something simple: companies meaning (or seeming) to be good» (op.cit. p.3) because with a few interesting exceptions, the rhetoric falls well short of the reality.» (p.4)

Economist, The (2008) *Just good business; A special report on corporate social responsibility*, January 19th. p.21





Money corrupts

March 2, 2009

- Everybody knows money corrupts
- This is a very old idea
 - In Antiquity economics was a subject for women and slaves. Citizens dealt with politics, war, art and philosophy. Buying and selling, producing was the slave's job
 - Today work and market are more acceptable
 - But most of the movie vilans still come from companies

March 30, 2009



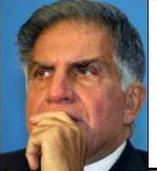
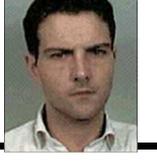
Some scandals

 <p><i>Drexel Burnham Lambert,</i> 1990</p>		<p><i>WorldCom, 2002</i></p>
 <p><i>BCCI, 1991</i></p>		<p><i>Ahold, 2003</i></p>
 <p><i>Barings Bank, 1995</i></p>		<p><i>Parmalat,</i> 2003</p>
 <p><i>Qwest, 2000</i></p>		<p><i>Tyco, 2004</i></p>
 <p><i>Enron Corporation,</i> 2001</p>		<p><i>Northern Rock, 2007</i></p>
 <p><i>Arthur Andersen LLP, 2001</i></p>		<p><i>Société Générale, 2008</i></p>
 <p><i>Global Crossing, 2002</i></p>		<p><i>Bear Stearns, 2008</i></p>

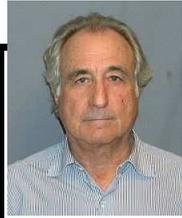
The "Robber Barons"

	John Jacob Astor (1763–1848)		J. P. (John Pierpont) Morgan (1837–1913)
	Cornelius Vanderbilt (1794–1877)		Andrew Carnegie (1835–1919)
	Charles Crocker (1822–1888)		James Buchanan Duke (1856–1925)
	Jason "Jay" Gould (1836–1892)		Andrew Mellon (1855-1937)
	George Mortimer Pullman (1831–1897)		John D. Rockefeller (1839–1937)
	Collis P. Huntington (1821–1900)		Henry Ford (1863–1947)
	Jay Cooke (1821-1905)		William Randolph Hearst (1863-1951)

The “New Robber Barons”

 <p>Robert Maxwell (1923–1991) <i>Maxwell Corp.</i></p>	 <p>Ratan Tata (1937) <i>Tata group</i></p>
 <p>Kenneth Lee Lay (1942–2006) <i>Enron</i></p>	 <p>Michael Milken (1946) <i>Drexel</i></p>
 <p>Stanley Ho (1921) <i>Casino Lisboa</i></p>	 <p>Thaksin Shinawatra (1949) <i>Shin Corp.</i></p>
 <p>Warren Buffett (1930) <i>Berkshire</i></p>	 <p>William Gates (1955) <i>Microsoft</i></p>
 <p>George Soros (1930) <i>Soros Fund</i></p>	 <p>Mikhail Khodorkovsky (1963) <i>Yukos</i></p>
 <p>Rupert Murdoch (1931) <i>News Corp.</i></p>	 <p>Nicholas Leeson (1967) <i>Barings</i></p>
 <p>Silvio Berlusconi (1936) <i>Fininvest</i></p>	 <p>Jérôme Kerviel (1977) <i>Société Générale</i></p>

And also...



Bernard L. Maddoff
(1938) *BLM Securities*



Ricardo Salgado (1944)
Banco Espírito Santo

HSBC



HSBC Holdings plc
2015

	Bernard L. Maddoff (1938) <i>BLM Securities</i>		Ricardo Salgado (1944) <i>Banco Espírito Santo</i>
HSBC	<i>HSBC Holdings plc</i> 2015		

Fritz Lang, 1927

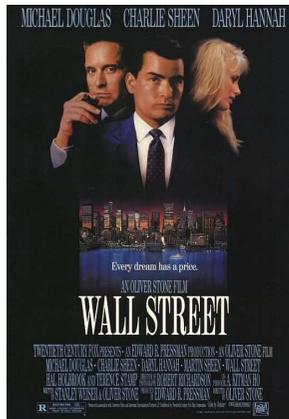
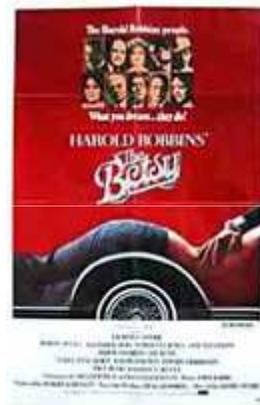


Orson Welles,
1941



Guy Hamilton,
1964

Daniel Petrie,
1978



Oliver Stone, 1987

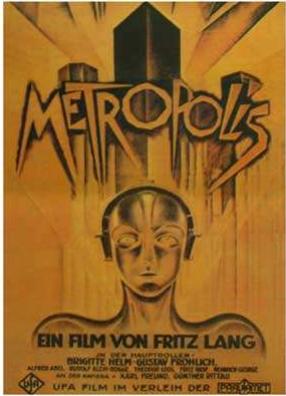


Oliver Stone, 2010

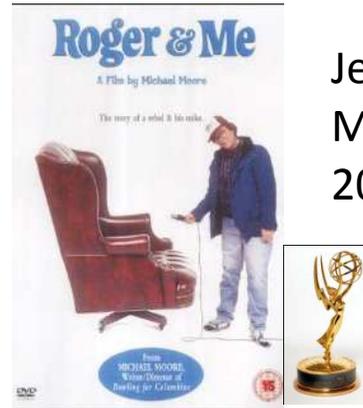


J.C.Chandor, 2011

Fritz Lang, 1927

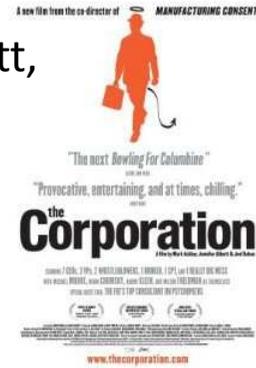


Orson Welles, 1941



Michael Moore, 1989

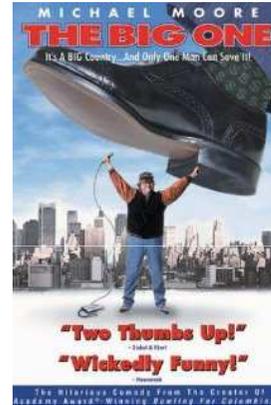
Jennifer Abbott, Mark Achbar, 2003



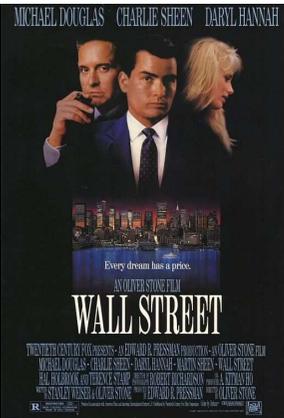
Guy Hamilton, 1964



Daniel Petrie, 1978



Morgan Spurlock, 2004



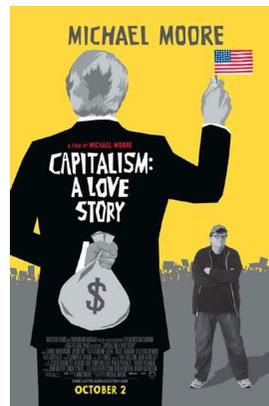
Oliver Stone, 1987



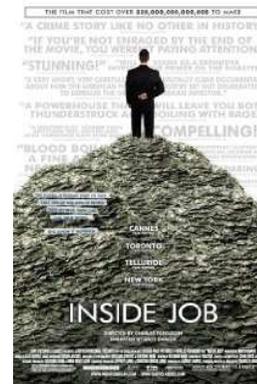
Oliver Stone, 2010



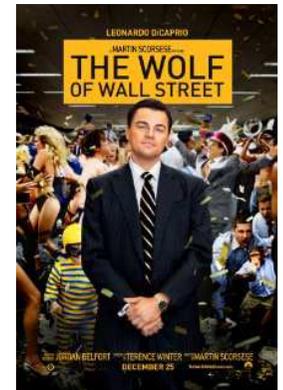
J.C.Chandor, 2011



Michael Moore, 2009



Martin Scorsese, 2013



The evolution of Business Ethics

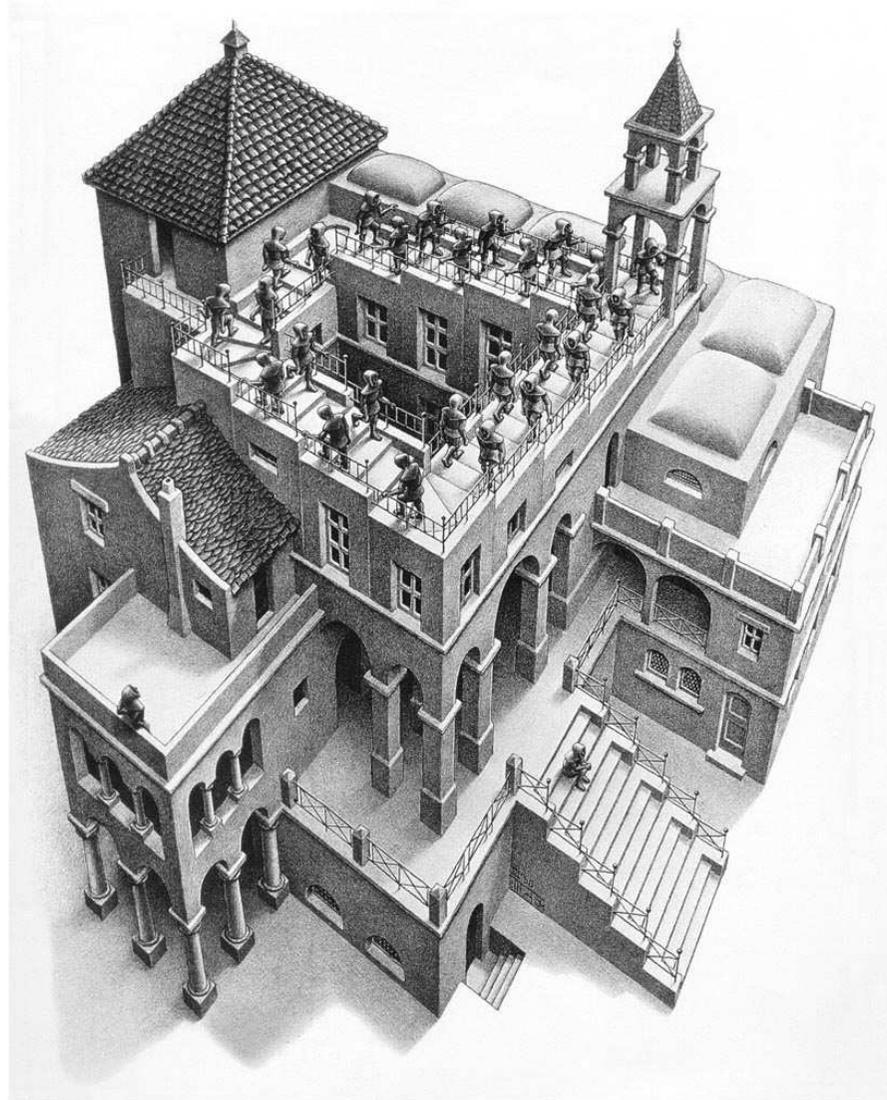
«In America there is now a veritable industry, complete with consultancies, conferences, journals and “corporate conscience” awards. Accountancy firms such as PricewaterhouseCoopers offer to “audit” the ethical performance of companies. Corporate-ethics officers, who barely existed a decade ago, have become *de rigueur*, at least for big companies. (...) As many as one in five big firms has a full-time office devoted to the subject.».

The Economist «Doing well by doing good» April 22th, 2000

2000

The
Economist

2) The task of Business Ethics



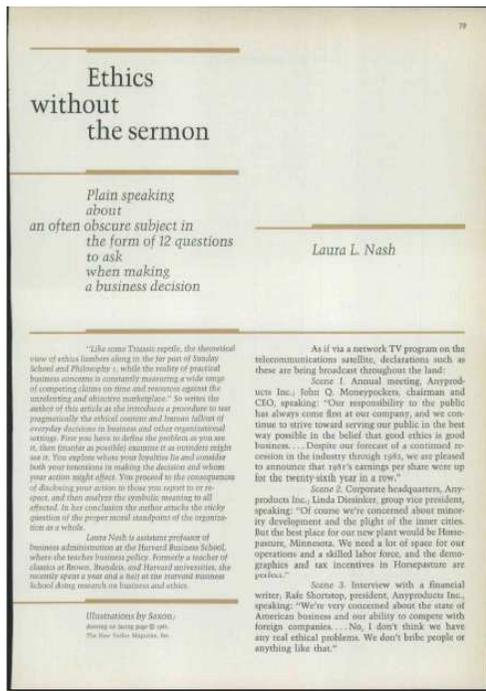
M.C. Escher *Ascending and Descending* (litography, 1960)

The Task of Business Ethics

- There is a good reason for all this.
- The purpose of Business Ethics was to introduce moral sense in one of the toughest fields in human endeavor.
 - A field that, precisely for this reason, prior to the 1960s was considered to be amoral, as quoted above.
- Directing managers, entrepreneurs and business leaders towards a more ethical sense of life is something even today many consider impossible.

The Task of Business Ethics

- Markets are intense, merciless places. Competition is brutal, dramatic and unrepentant.
- Therefore Business Ethics knew it would never be able to change that. Ethics in management would have to proceed in spite of that, not outside of it.
- The only way managers could be made to pay attention was to be objective, pragmatic, scientific, business-like.
- The only way Business Ethics was going to succeed was to be «Ethics without the sermon»



Ethics without the sermon

This is very visible in one of the most influential initial papers:

Laura L. Nash. Ethics without the sermon. *Harvard Business Review*

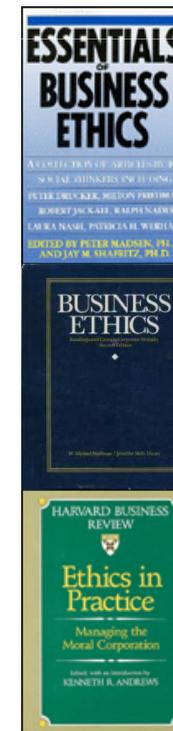
59, 79-90, 1981

Reprinted in

P. Madsen and Jay Shafritz (eds). *Essentials of Business Ethics*. Penguin Books. New York, 1990, p.38-62

W.M. Hoffman, and J.M. Moore (eds). *Business Ethics - Readings and Cases in Corporate Morality*, 2nd ed, McGraw-Hill, 1990, p.79-90

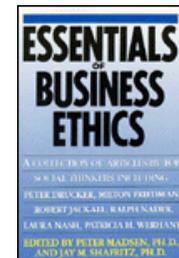
K. R. Andrews (ed) *Ethics in Practice: Managing the Moral Corporation*, Boston: Harvard Business School Press, 1989, p. 243-257.



The gap

- When introducing this paper, one of the collections said:
«When academic philosophers begin to discuss ethics with those who have more practical concerns (such as corporate executives), radically different styles, approaches and biases become quite apparent. Taking these differences as her cue, Laura L. Nash offers a set of twelve questions that, while free of philosophical abstraction, nonetheless embody the central concerns of ethical reasoning as it is applied in business»

Madsen and Shafritz (eds) op. cit. p.38.





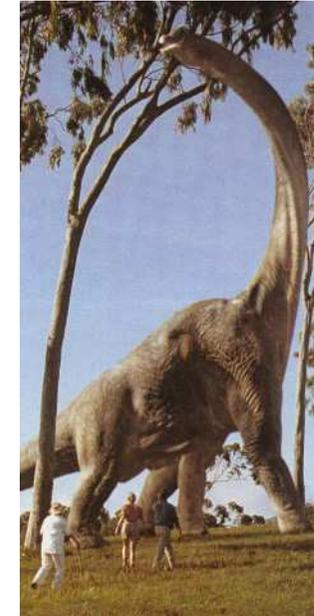
Sidestepping Triassic reptiles

«Like some Triassic reptile, the theoretical view of ethics lumbers along in the far past of Sunday School and Philosophy 1, while the reality of practical business concerns is constantly measuring a wide range of competing claims on time and resources against the unrelenting and objective marketplace» (op. cit. p. 80)

Triassic is much older than Jurassic



Not this type of monsters,...





... but this.

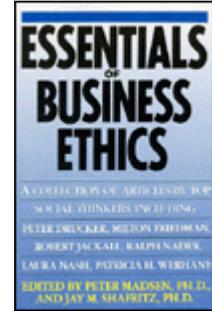
The only way to have effects

- Only with «Ethics without the sermon» would managers pay heed.
- Ethics, if it was to enter the boardroom, had to gain a business-like appearance.
- This meant avoiding references to conscience, character, purposes and aims, by stressing on mechanisms and structures.
- Managers wouldn't have it any other way.

The only way to have effects

- As time went on and societies get more demanding companies had to incorporate many restrictions on their procedures.
 - Labor rights, environment, costumers' protection, quality controls and operational enhancements got to be normal business procedures in the fight for profits.
- Ethics was just going to be one more element.
- This integration in the spirit of commercial ventures was what Business Ethics had to achieve. And did achieve.
- Ethics got to be something like accounting or sanitation, determined by some procedures and rules.

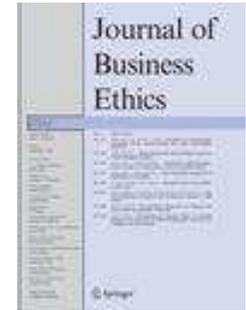
Goal of Business Ethics



«The goal of ethics education is not character building; but rather, like all college course work, they attempt to share knowledge, build skills, and develop minds»

Madsen and Shafritz, 1990, p.7.

Purpose of Business Ethics



«What such proposals for the reform of corporate governance seek to do is enhance the ethical performance of businesses through organizational mechanisms for controlling the behaviour of managers rather than through making those managers morally better people. By changing those mechanisms, it is hoped that managers will be induced to run businesses in ways that are morally preferable to the ways they would otherwise run them.»

John Kaler. Positioning Business Ethics in Relation to Management and Political Philosophy. *Journal of Business Ethics*, 24, 2000, p.266.

Mechanisms not people

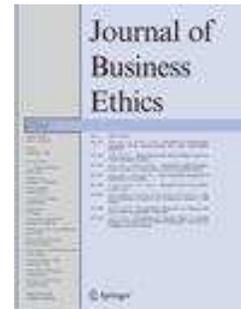
«So in the sense of looking to organizational structures rather than managerial attitudes as determinants of morally desirable outcomes, this is a strategy which looks to the business itself rather than its managers...So in looking to such mechanisms, Business Ethics can not only achieve its ultimate aim of morally enhancing business activity without resort to the very fraught and dubious route of morally improving managers, but it can, in principle at least, achieve that aim more effectively».

John Kaler. Positioning Business Ethics in Relation to Management and Political Philosophy. *Journal of Business Ethics*, 24, 2000, p.266.

Moral improvement of managers?

«To want business ethics to result in the moral improvement of business activity is correct; to expect it to do so merely through the moral improvement of managers as people is, I submit, profoundly unrealistic»

Kaler (2000) p.264.

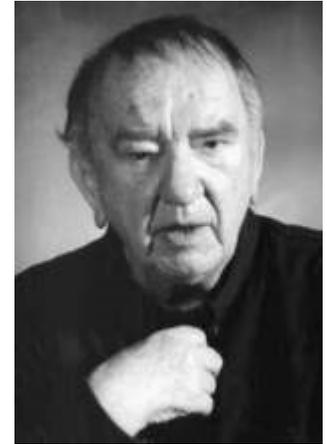


Cannibals' table manners

The Polish poet Stanisław Lec famously asked " Is it a progress if a cannibal is using knife and fork?"

Lec, Stanisław J. (1962) *Unkempt thoughts* St. Martin's Press, New York, p.78

Much of today's Business Ethics could be reduced to attempts to tend to the table manner of business cannibals without changing their diet.



Stanisław Jerzy Lec
(1909 –1966)



The result



«Many scholars view ethics codes as having minimal impact on ethical behaviour within organizations»

O'Dwyer, Brendan and Grainne Madden (2006) "Ethical Codes of Conduct in Irish Companies: A Survey of Code Content and Enforcement Procedures", *Journal of Business Ethics* 63 p. 219.

«It seems that ethical codes are an inferior document in most organizations; it does not really matter whether they exist or not»

Marnburg, E. (2000) "The Behavioural Effects of Corporate Ethical Codes: Empirical Findings and Discussion", *Business Ethics A European Review* 9(3) p. 208)

The result

«Enron ethics means (still ironically) that business ethics is a question of organizational “deep” culture rather than of cultural artifacts like ethics codes, ethics officers and the like»

Sims, Ronald R. and Johannes Brinkmann (2003) “Enron Ethics (Or: Culture matters more than codes)” *Journal of Business Ethics*, Jul., vol. 45 (3); p. 243)



3) The failure of Business Ethics?



M.C. Escher *Belvedere* (litography, 1958)

The evolution of Business Ethics

«IF YOU believe what they say about themselves, big companies have never been better citizens. In the past decade, “corporate social responsibility” (CSR) has become the norm in the boardrooms of companies in rich countries, and increasingly in developing economies too. Most big firms now pledge to follow policies that define best practice in everything from the diversity of their workforces to human rights and the environment.»

The Economist «In search of the good company» September 6th 2007.

2007

The
Economist

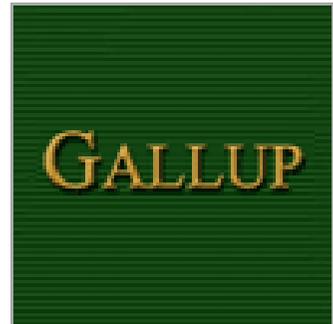
«If you believe what they say ...»

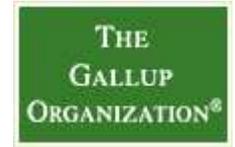


Three Little Pigs, produced by Walt Disney, directed by Burt Gillett
United Artists 1933, *Silly Symphonies* series

The failure of Business Ethics

- One way to access the evolution of the ethical image of business and corporations is to consider two of the surveys conducted by *The Gallup Organization* about
 - Confidence in institutions
 - Honesty of professions



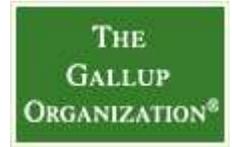


Confidence in institutions

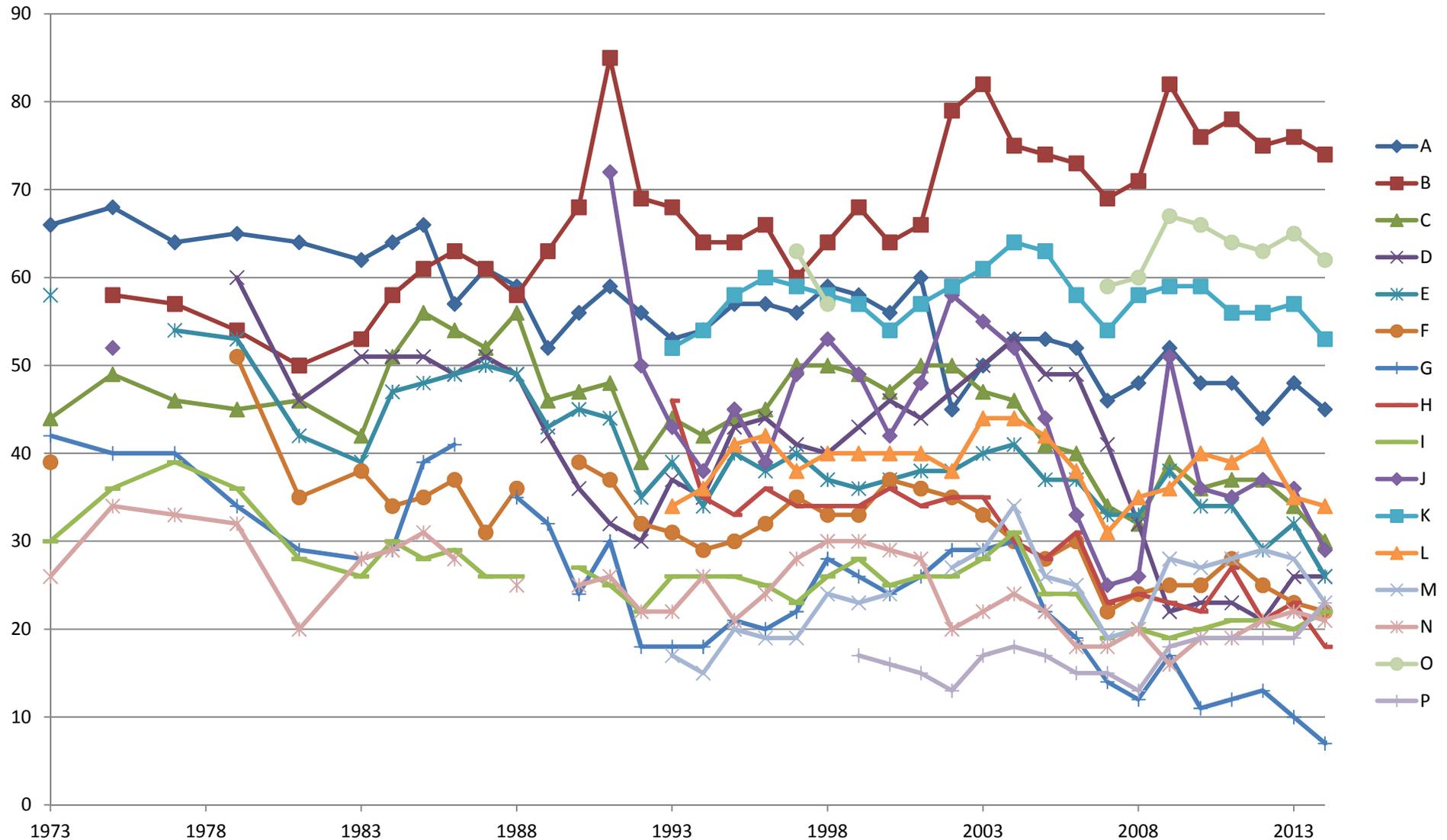
«Please tell me how much confidence you, yourself, have in each one – a great deal, quite a lot, some, or very little?»

- A. The church or organized religion
- B. The Military
- C. The U.S. Supreme Court
- D. Banks
- E. The public schools
- F. Newspapers
- G. Congress
- H. Television News
- I. Organized labor
- J. The Presidency
- K. The police
- L. The Medical system
- M. The criminal justice system
- N. Big business
- O. Small business
- P. Health Maintenance Organizations (HMOs)

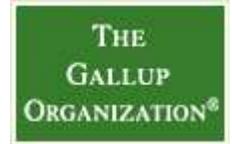
Confidence in institutions



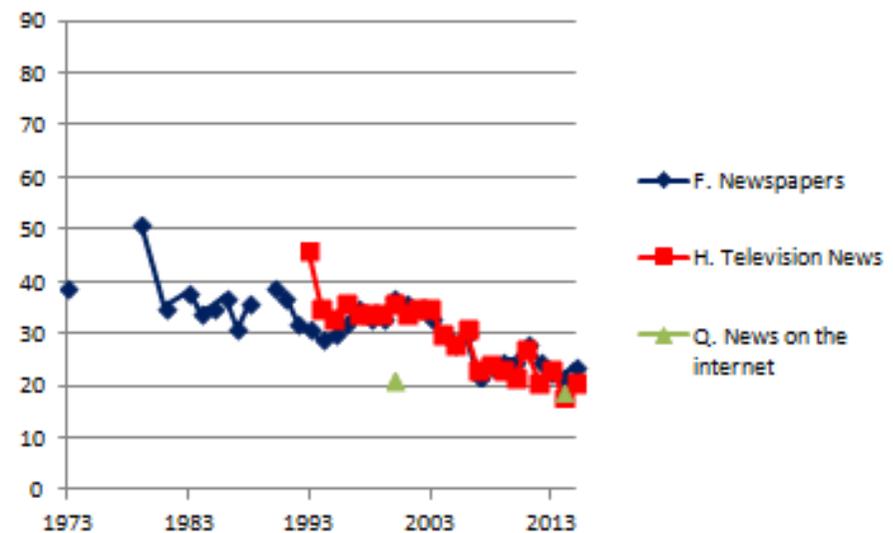
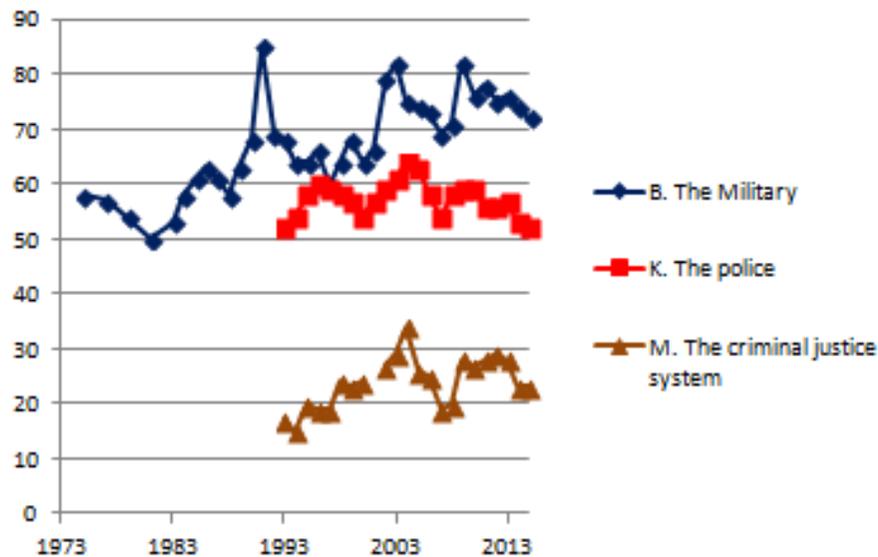
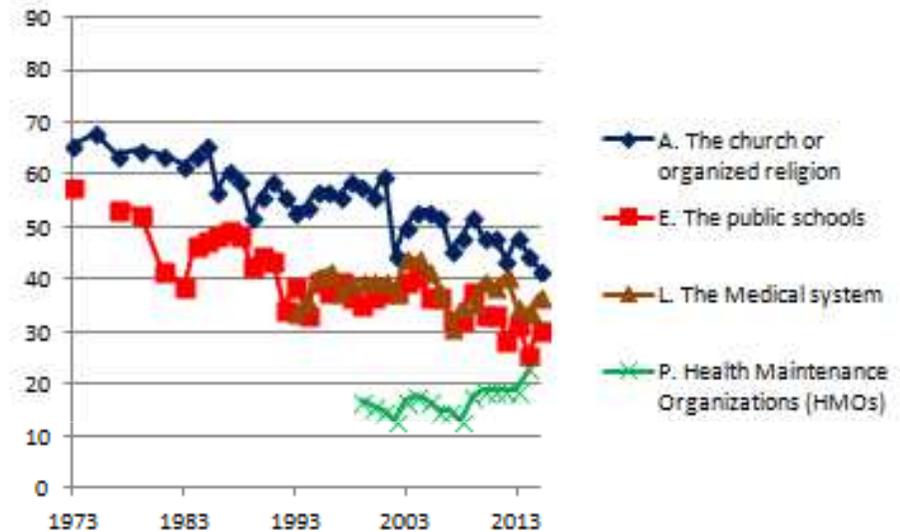
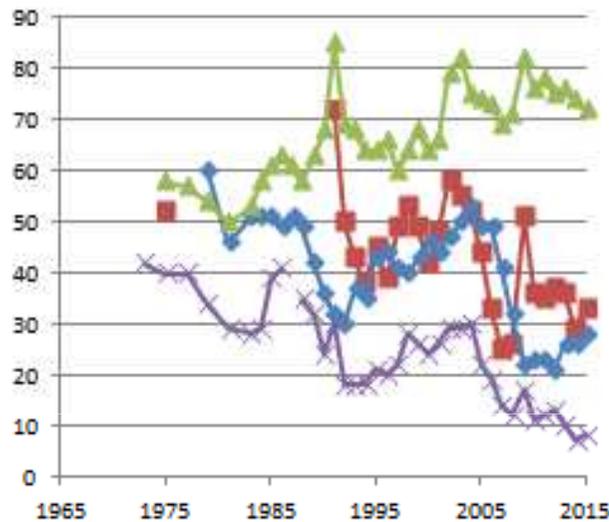
(%, "great deal" + "quite a lot")



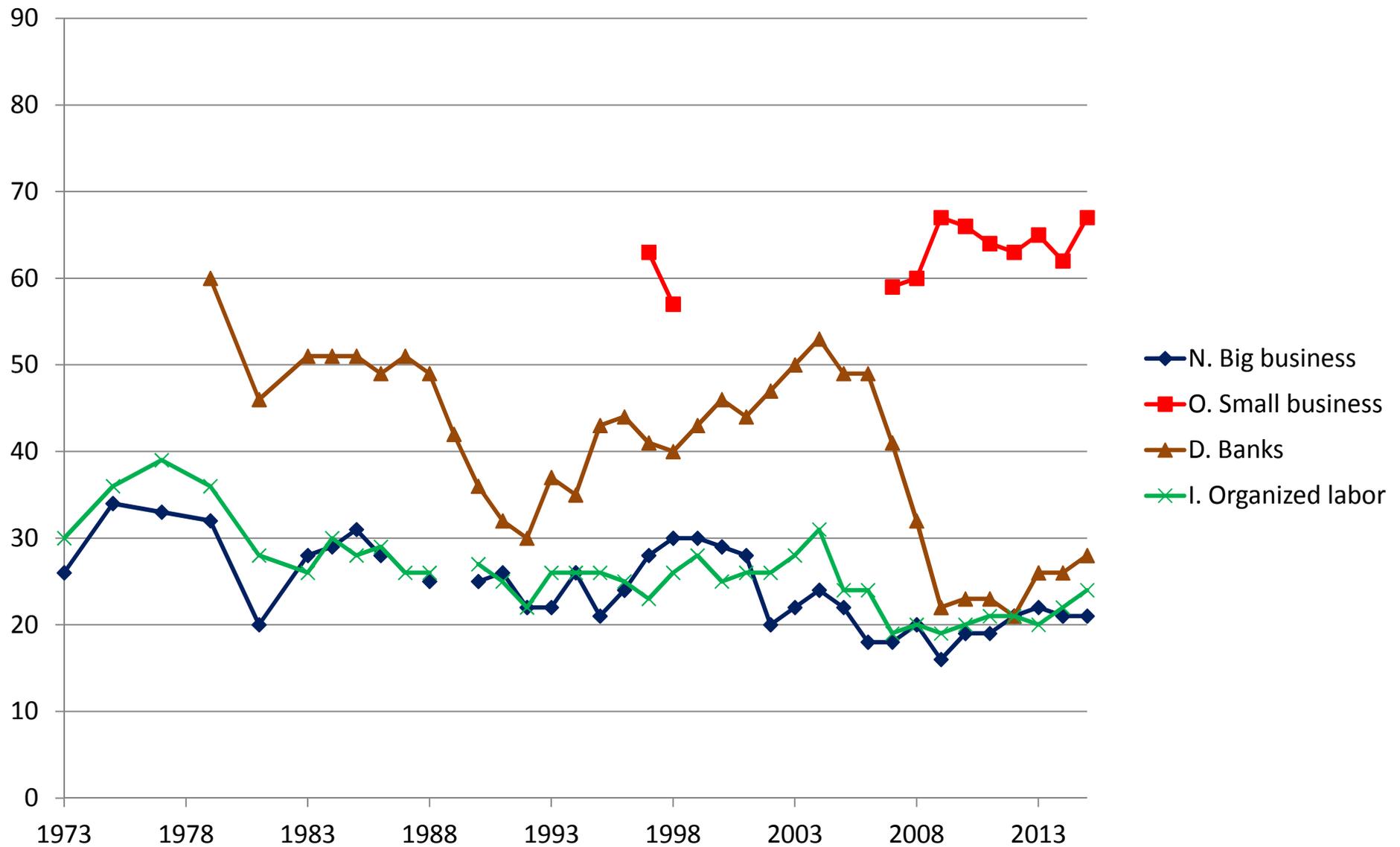
Confidence in institutions

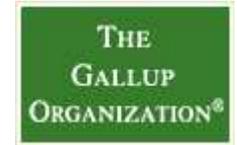


(%, "great deal" + "quite a lot")



Confidence in economic institutions





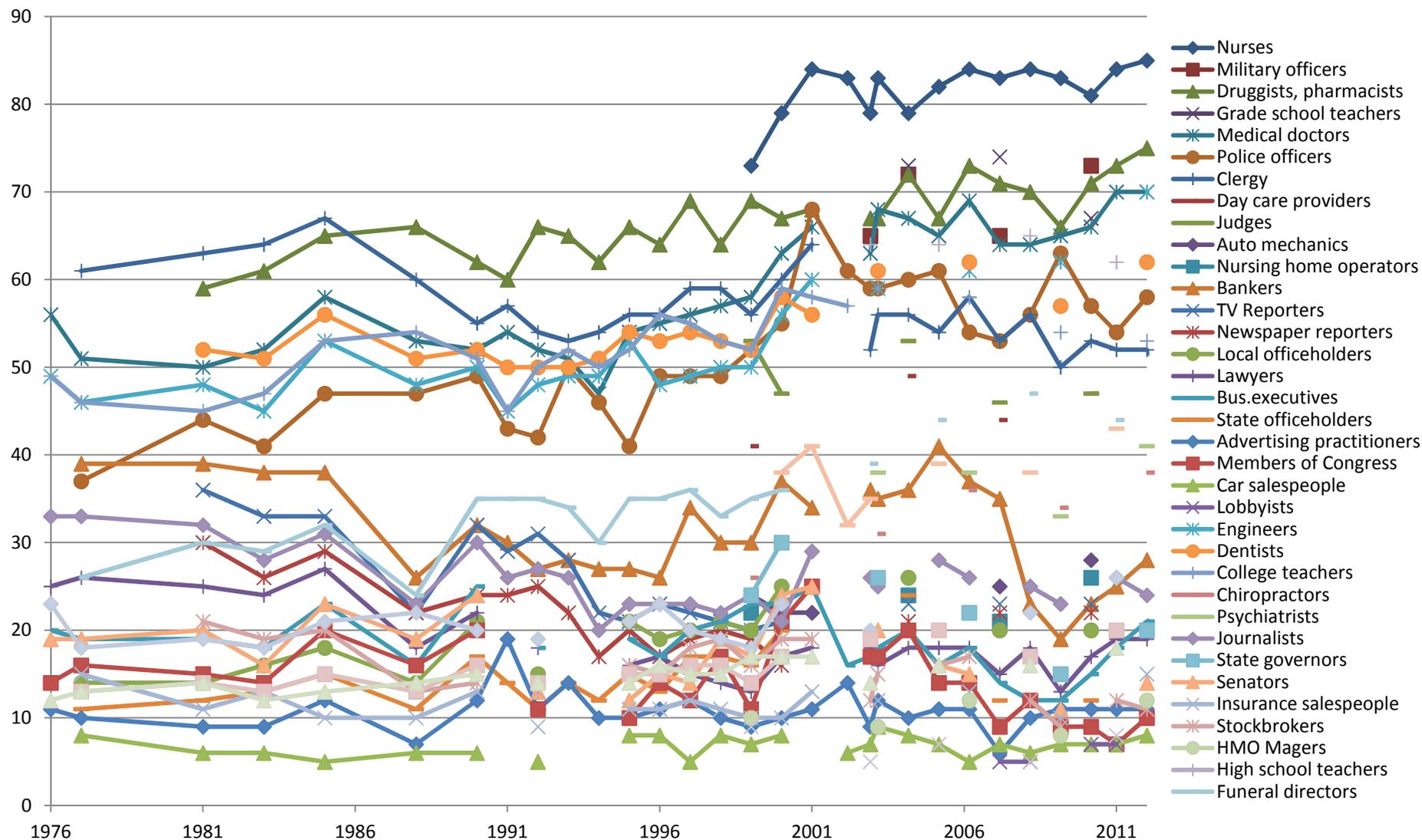
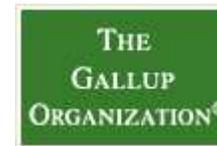
Honesty of professions

«Please tell me how you would rate the honesty and ethical standards of people in these different fields -- very high, high, average , low, or very low?»

Nurses	Nursing home operators	Car salespeople	Insurance salespeople
Military officers	Bankers	Lobbyists	Stockbrokers
Druggists, pharmacists	TV Reporters	Engineers	HMO Managers
Grade school teachers	Newspaper reporters	Dentists	High school teachers
Medical doctors	Local officeholders	College teachers	Funeral directors
Police officers	Lawyers	Chiropractors	Accountants
Clergy	Bus.executives	Psychiatrists	Building contractors
Day care providers	State officeholders	Journalists	Real estate agents
Judges	Advertising practitioners	State governors	Labor union leaders
Auto mechanics	Members of Congress	Senators	

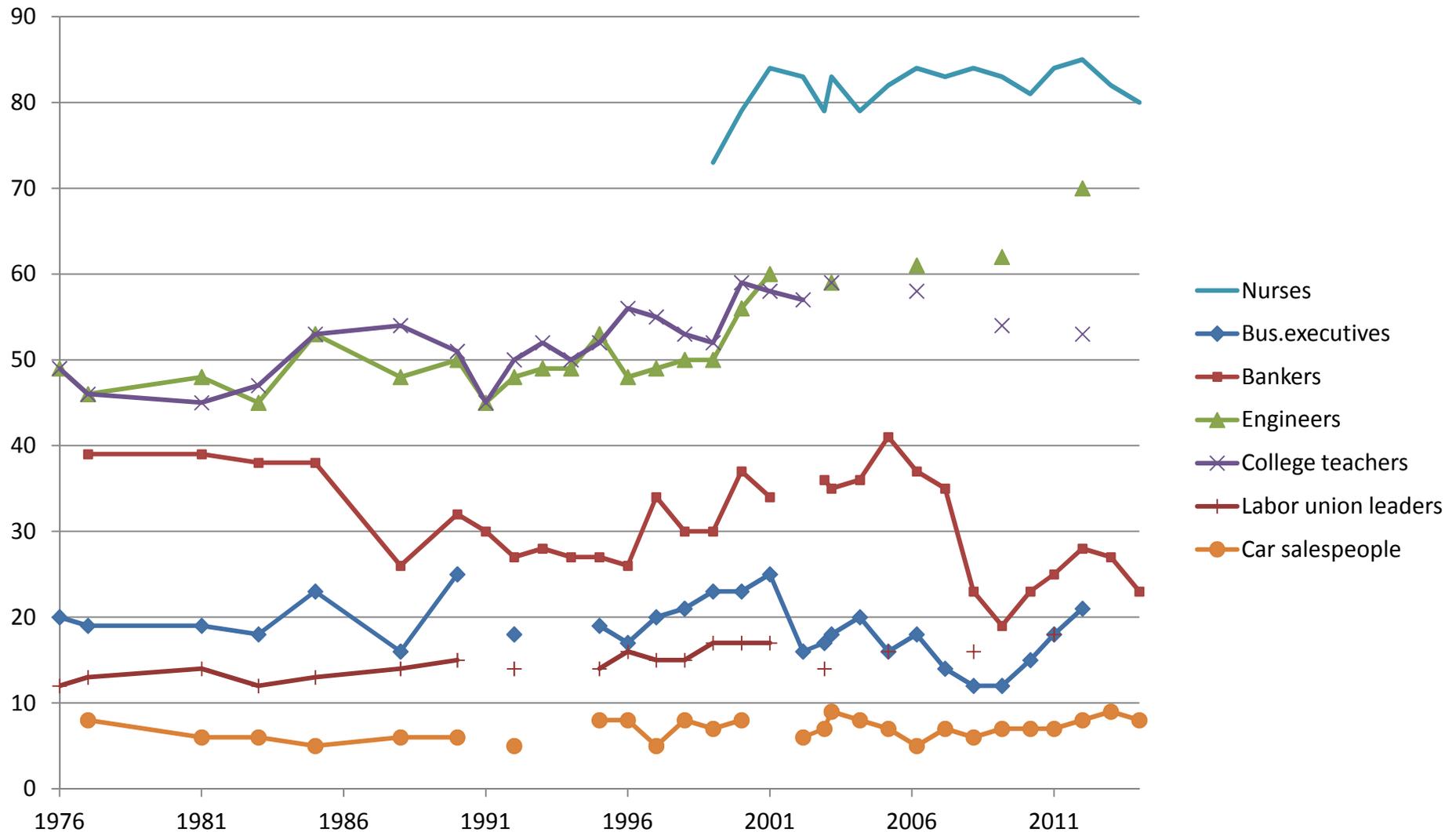
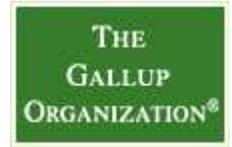
Honesty of professions

(%, "great deal" + "quite a lot")

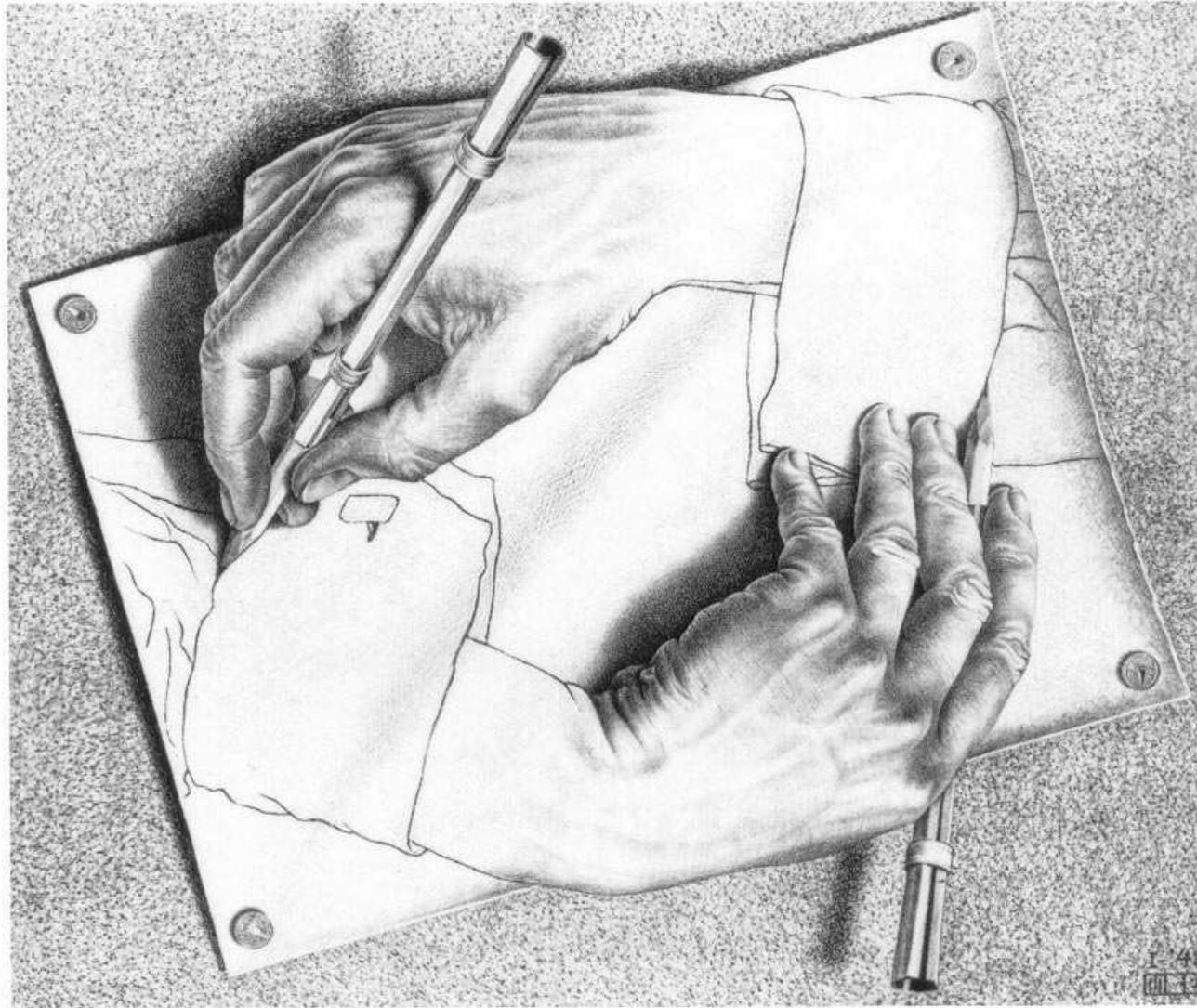


Honesty of professions

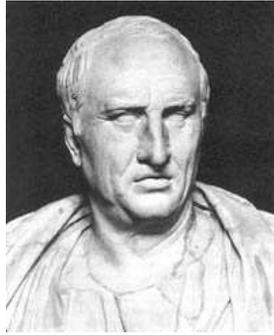
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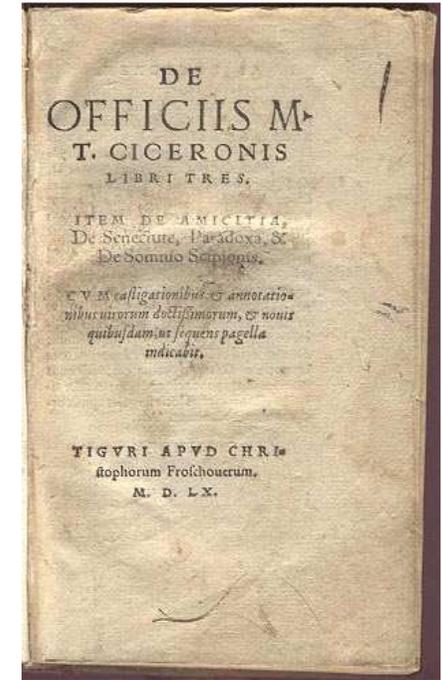
4) How to be ethical?



M.C. Escher *Drawing Hands* (litography, 1948)

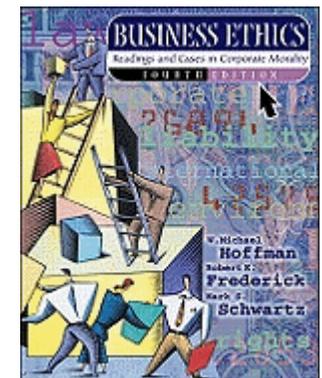


Ethical behavior or image?

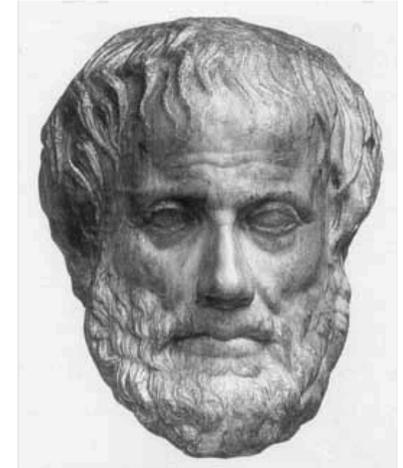


«The preface to the first edition [1984] of *Business Ethics: Readings and Cases in Corporate Morality* began with the advice from Cicero's *De Officiis*: *'To everyone who proposes to have a good career, moral philosophy is indispensable'* Cicero's words are as true and as timely as ever”

Hoffman W. Michael, Robert E Frederick, Mark Schwartz (2001)
Business Ethics: Readings and Cases in Corporate Morality,
McGraw-Hill Higher Education; 4th edition, p. ix.

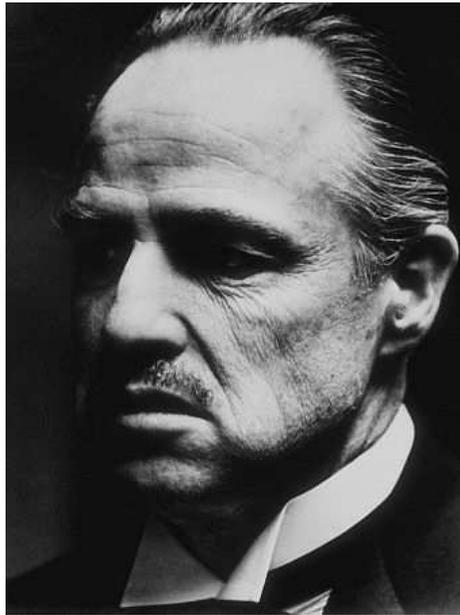


Ethics is life



«And just as at the Olympic games the wreaths of victory are not bestowed upon the handsomest and strongest persons present, but on men who enter for the competitions--since it is among these that the winners are found,--so it is those who act rightly who carry off the prizes and good things of life.»

Aristotle *Nicomachean Ethics* I, viii (1099a.1-5)



The Godfather

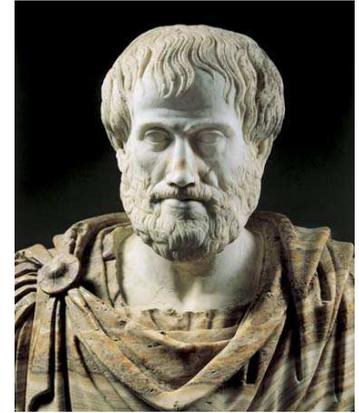


«What you must understand is that which happened between me and your father was simply business. Personally I have great respect for Don Corleone!»

Mario Puzo (1969) *The Godfather*, G.P. Putnam's Sons, London



Conclusion: A good man



“The truly good and wise man will bear all kinds of fortune in a seemly way, and will always act in the noblest manner that the circumstances allow; even as a good general makes the most effective use of the forces at his disposal, and a good shoemaker makes the finest shoe possible out of the leather supplied him, and so on with all the other crafts and professions..”

Aristotle *Nicomachean Ethics* I, x (1101a.1-4)

The search for ethics

1. Willingness to be ethical

2. State the problem as it is

- ★ Not eliminating relevant aspects
- ★ Not including aspects which are alien
- ★ Role of Economics and Law

3. Decide judiciously

- ★ Which criteria?
 - ★ Law: deontological or prescriptivist ethics
 - ★ Conscience: emotivist or intuitionist ethics
 - ★ Virtue ethics: follow a formed conscience

Fundamental Question in Management

“What good will it be for someone to gain the whole world, yet forfeit their soul? Or what can anyone give in exchange for their soul?”

(Mt 16, 26)

