

## **Business Ethics**

### **Globalism**

- Viewing the world on a global basis rather than in terms of nation – movement for a single universal identity.
  - Removal of the socio-economic barriers that prevent the creation of this new world order.
- Moral and economic values become the norm for different societies around the world.
- Needs of the world surpass needs of individual nations.
- Affects cultural diversity – local customs, values and differences between races and nationalities become blurred.

### **Globalisation**

- Business or other organisations develop international influence or start operating on an international scale.
- Global values are transferred into the economies of the countries throughout the world.

## **Business and the Environment – the problem of growth.**

- Economic growth means that societies can expect to live longer – higher standard of living.
- A detrimental effect of economic growth is the environmental issues.
- Iron and steel industry in Ironbridge Gorge (Shropshire) – there is an iron bridge above the idyllic scene.
  - 200 years ago there were industrial furnaces which caused polluted cases – prematurely killing people who breathed in the air.
- Human societies need industrial growth – but this will cause environmental harm.
- Natural habitat is destroyed where factories are built.
- Growth leads to energy demands – building of more power stations – pollution.
- Destruction of the environment in the West during the Industrial Revolution – China has one of the fastest growing economies in the world – along with increasing pollution.
  - 2010 – showed that nearly 200 million Chinese people did not have access to clean drinking water.
- Some economists argue that the environmental damage caused by the industrial growth will not cause permanent damage to the environment.
- Britain – demonstrates that industrialisation will only cause temporary damage – Ironbridge has now become a tourist attraction.

## **The Kuznets Curve**

- Gene Grossman and Alan Krueger -1991.
- Set out to prove that the economic growth does not have long term effects on the environment – Environmental Kuznets Curve.
- Graph shows that as people become wealthier, they buy and use things that are better for the environment – habits such as recycling and tourism.
- In the years of economic development, damage is greater – as people become richer, the damage to the environment is restored.
- 2000 – the Kuznets Curve was criticised for being based on doubtful assumptions.
- A new view of the relationship of business and industrial growth and the environment developed – based on the principle of sustainability.
- David Pearce and Edward Barbier (2000) – Blueprint for a Sustainable Economy.
  - New way of looking at the British economy – based on 2 ideas:
  - Sustainable economic growth within a cruelty-free environment.
- Some environmentalists suggest that the term ‘Green Growth’ is contradictory – is there really such thing?
- Multinational companies face many ethical issues as they consider the impact their business has on the environment.

### **Eric Neumayer**

- Leading economist – 2010.
- Set out a way companies can assess sustainability 5 indicators:
  - National accounts – whether a project is worth the cost financially.
  - Aggregate welfare – modern utilitarian principle that what is good is that which produces welfare for the maximum number of people.
  - Natural capital – whether any development produces benefits for nature above the damage it may cause the environment.
  - Ecosystem health – whether the ecosystem of the area remains healthy.
  - Human-environment interaction – whether it improve the relationship between the local people affected by the project and their environment.

## **Globalisation**

- Known as the free market economy.
- A series of measures are introduced to stimulate trade – abolition of border controls to allow free movement of labour, standardisation of taxes and laws affecting companies, improvements in transport and communication.
- This creates interdependency between countries in the developed and developing worlds.
- Growth of English as the second language in the world.
- Features that stand in the way of globalisation:
  - Ties of loyalty to country.
  - Birthplace and religion prevent a fully integrated global society.
  - Governments are unwilling to give away power to international organisations.
  - Failure of the United Nations Climate Change Conference (2009) in Copenhagen showed how national interests could contrast global needs.
- New world order could create problems:
  - Joblessness – more products are being produced in developing countries because it's cheaper – this leads to fewer jobs in developing countries.
  - Camila Batmanghelidjh – key reason why many young people feel alienated from society – Globalisation creates an underclass of people who feel disenfranchised.
- Increasing growth in the idea of relativism – people see themselves as members of specific groups rather than as members of their local or national community.
  - As human beings become part of a global community, they become more divided.

## **Relationship Between Employers and Employees**

- There has to be a balance between the aspirations, rights and interests of the worker and of the company.
- Trade unions – protect the workers' rights.
- Today's laws in the UK ensure safety at work, conditions of employment and the right of a worker to join a trade union.
- Equal opportunities protect workers from discrimination of race, religion, gender and sexual orientation.
- Some ethical problems:
  - Mass migration – 'British worker for British jobs'.
  - This could refer to the movement of industries to developing countries.
  - Also refers to the migration of cheap labour to work in Britain.
  - Consequences of the global economy affect jobs in the UK.

### **Solutions that have been put forward:**

- Limiting the numbers of migrant workers – restricting them to certain parts of the country.
- This may raise issues of the treatment of migrants – Christian teaching suggests that we show hospitality to foreigners.
- Utilitarian ethics might consider the importance of the greatest good for the greatest number.
- Virtue ethics might argue that the concept of British jobs for British workers leads the moral agent to seeing foreigners as different – would not inspire those character traits that would develop a good life.
- Traditional approaches such as Kantian ethics or Utilitarianism have been criticised for not ensuring good treatment of workers.

## **Whistle Blowing**

- When a worker exposes the company they work for because of illegal or immoral activities to the media or authorities.
- Some may argue that whistle blowing is a necessary feature of modern business practice in the democratic society.
- Businesses hate it, but without it there would be corrupt and dangerous practices occurring.
- Whistle blowing is centred on the principle of openness.
- The concept of accountability is crucial – MPs have to be accountable for their expenses – must justify how they are spending tax payers money.
  - Whistle blowing creates the openness that leads to accountability.
- Issues with whistle blowing:
  - Company-sensitive information is often revealed – morality behind releasing sensitive information.
  - Company has a moral right to anything that it has developed, researched and paid for – developed by John Locke – property rights.
- **Utilitarian approach** – maximisation of welfare that comes from revealing information.

- Must benefit society as a whole.
- **Virtue ethics** – examine the character traits of the whistle blower.
  - Does whistle blowing show courage, justice etc.?
- **Kantian approach** – examine the universalizability of whistle blowing.
  - Sense of duty – duty to yourself and others?
  - Whistle blowing is morally good if you are reporting information that involves corruption or breaking the law.

### Consumer Rights

- 19<sup>th</sup> century – relationship between consumer and seller was based on the legal principle of ‘caveat emptor’ – let the buyer beware.
  - The person buying the goods was obliged to look at the item carefully.
- Today that system has been replaced by consumer protection and legislation – rules on human rights.
- Consumer has certain rights over goods or services provided – natural right to expect a standard for the money provided.
  - Rights come with responsibility – if you buy a bookshelf and ignore the instructions then damage the goods, it is your responsibility.
  - There is a balance between rights of the consumer and those of the company and its employees.
- Consumer has a right to expect that no goods will harm the purchaser’s life.
  - NHs has a duty to its patients – patient is responsible for taking their medication correctly.
- **Utilitarians** might argue that there are intrinsic benefits in consumer rights – sometimes these rights must be removed for the general welfare.
  - The consumer cannot expect perfection from the goods or services provided.
  - It is impossible for the taxpayer to expect perfect healthcare.
  - The consumer has rights, but they must be reasonable.

## **Christian Ethics – Business**

- Two basic ethical concepts – trust and honesty.
- Dishonesty was easy when there was no common standards – this is why honesty and trust were vital to businesses.
  - Leviticus 19 – weights and measures must be accurate.
- Corrupt businesses misuses God’s name and his people – the Bible refers to the treatment of workers – possibly being treated badly at the time.
  - Employers are told – ‘You shall not keep for yourself the wages of a labourer until the morning’ (Leviticus 19:13).
- An important aspect of the relationship between workers and employers is social justice – employers must not exploit their workers by reducing them to poverty.
  - Amos and Hosea attack the rich of their day for reducing their own people to poverty.
- Work is considered to be intrinsically beneficial – Adam laboured in the Garden of Eden (before The Fall).
- Medieval monks – ‘to work is to pray’.
- Protestant work ethic makes virtue out of hard work – however the growth of wealth for its own sake is not intrinsically good.
- Christian attitudes to Globalisation vary.
  - Christians talk about catholicity and oecumene – universal nature of the Christian faith.
  - Anything that breaks down the divisions between people is morally good.
  - Globalisation is viewed as a moral objective – enhances the sense of family on earth.
- Christians have a duty to care for humanity – Globalisation can be seen as a tool for ensuring that God’s love is applied to the world.
  - Seen as a commitment to relieve countries of poverty.
  - Offers an economic route to the abolition of poverty – interdependence of developed nations.
- Amartya Sen (1981) argued that hunger and starvation is not caused by the lack of food – caused by the lack of money to pay for it.
- Globalisation fits in with the desire not to provide food, but to make people richer- many Christians reject the idea of charity and food aid – helping people to help themselves.
- Some Christians argue that the progress comes at too high a price.
  - Globalisation leads to the exploitation of workers and the environment for financial gain.
  - Leads to closure of factories in developed world so they can be built in the developing countries at lower costs and low employment rights.
  - John b. Cobb – globalisation exploits the poor and ‘destroys human communities and devastates the natural world’.
- Is globalisation a step forward or another form of exploitation?
  - Some Christians believe that economic injustice can only be solved globally – others believe it is individual villages and towns which can solve it.

- No such thing as a single Christian response to globalisation and business economics.
- Christian attitudes to business are determined by economic realities rather than the Bible.
  - The situation in the bible is different to now.
  - Others believe that the teachings of Jesus are still important.

## **Natural Law – Business**

- Looks at the telos of a business – virtue and human prospering.
- Some industries contradict this telos – making money by exploitation of others – sex trade
- Germain Grisez – looks at the issue of corporate finance.
  - Examines whether its function, purpose and end is virtuous.
- Aquinas opposed usury – lending money at unreasonably high interest rates – contradicts the primary precepts of Natural Law (harmonious society).
- Analogy of body parts working harmoniously – the end of a business is to produce a profit, its telos is happiness.
  - A business should fulfil the happiness of all its parts – staff, management, consumers etc.
  - These are the organs of business – if they fail to work together, the result is ‘death’.
- Natural Law lead to human rights – God given – to protect consumers and workers.
- Rerum Novarum (1091) – principle that there should be rights to protect the vulnerable in the workplace – supported the rights of workers to form trade unions.

## **Strengths**

- Looks at the ultimate end of human beings – moral as well as economic betterment.
- Emphasises the concept that work should be uplifting – should be a moral environment.
- Precepts are easily applied to a situation – live harmoniously, preservation of life means that immoral businesses are not condoned.

## **Weaknesses**

- People who reject Natural Law cannot apply it to business ethics.
- Work has no intrinsic value – it is just there so we can earn a living – it is not possible to create a society where every job is uplifting.
- Absolute – does not consider that every business is different, therefore natural law cannot be applied to every business.
- Not everything has to have a telos – purpose of a business is to make money, not to achieve happiness.
- You cannot derive ‘ought’ from ‘is’ (naturalistic fallacy) – a business is responsible for the wellbeing of its employees; therefore they ought to act in a way that will protect their job.
- Old fashioned – cannot be applied to these modern times – times have changed.

## **Virtue Ethics – Business**

- A moral life will be achieved by holding virtuous character traits.
- Manuel Velasquez (developed business ethics) – company should have virtuous traits such as: courage, compassion, fairness, faithfulness, generosity, honesty, integrity, prudence and self-control.
  - If a manager and employer adopt these virtues, then they will be part of an ethical company.
  - Velasquez points out that those in charge of the company are powerful individuals – this power can be abused.
- A virtuous managing direction ought to have equal regard for those who work for the company.
- Having virtuous traits (golden mean) allows for virtuous business decisions to be made.

### **Strengths**

- Focus on the agent rather than action – this means that a business can flourish depending on the type of person that you are. If you hold the virtues, you will do virtuous acts.
- Considers emotions – realistic approach that has to be considered in situations – a business cannot be separated from society.
- Relative – recognises that all situations are different – businesses are different, what might be considered virtuous for one business may not be virtuous for another.

### **Weaknesses**

- Does not take into account that profit is a main motive of a business – investors take risks with money to make more money. The fundamental goal of a business is to make profit, not to become a virtuous person.
- There are not guidelines to be followed – is it virtuous to fire and employee to save the jobs of others? It is difficult to apply to situations.
- Does not have any core values that can be applied to business.

## **Kantian Ethics – Business**

- It is important to treat people as ends rather than means – included in business – exploitation of employees is immoral.
- Kant stresses the importance of duty – employees have a duty to their employers vice versa.
- Taxonomy of duties – Kant stressed that people have a duty to themselves to stop being taken advantage of. Workers have a duty to make sure that their autonomy is respected.
- Kant believed that making money for the sake of making money is ethically wrong – this means that a person is greedy and is likely to be irrational in nature and led by their emotions.
  - Greed is wrong – leads to immoral things in pursuit of goals.
- Universalizability principle – consider whether a decision can be universalised to see if it would be moral.
- Kant imagined that rational people would construct a moral system – Kingdom of Ends – some argue that globalisation is the first step towards this.
  - Joanna Ropedowski – states that globalisation is different from Kant’s idea of the new world order because globalisation starts from a Utilitarian principle.
  - Globalisation does not start from moral truths.

### **Strengths**

- Treats people as ends rather than means – this allows for humans to be respected, it does not support human exploitation for business profit. Things such as promise-keeping are valued (duty) and businesses are encouraged to look beyond making a profit.
- Businesses are encouraged to act morally out of duty.
- Does not allow emotion to cloud reason – businesses should not run on emotions, it would be irrational.
- Universalization means that everyone’s interests are considered – minority to not suffer for the majority in business.

### **Weaknesses**

- Hard to apply to situations – although it tells you what type of actions may be right or wrong, it does not tell you what is right and wrong in each situation. Interpretation may vary when making business decisions.
  - Firing one person to save the jobs as others – duty or treating that one person as a means?
- Emotions are not considered – cannot remove emotions from situations – someone may be motivated by the desire to make money and make business decisions based on their feelings.
- Too absolute – does not realise that businesses and situations are different.
- Conflicting duties.

## **Utilitarianism – Business**

- Looks at the idea of maximisation of welfare.
- Workers' rights must be sustained if the overall welfare of society is enhanced – their rights should be limited if social welfare is affected detrimentally.
- Strikes have a detrimental effect on the maximisation of welfare – there would be no reason to strike unless it was designed to maximise its effect on the general population.
- Globalisation – divided views:
  - Some question whether it will maximise human happiness – the net benefits of globalisation could outweigh the negatives – countries such as China and India where rapid industrialisation will ensure prosperity and the maximum number of people will benefit.
  - Other say that the disadvantages of globalisation will outweigh the advantages – deforestation and destruction of the natural environment so cheap food can be produced, will not benefit the maximum number of people – mass tourism, destruction of marine life, destroying habitats such as coral reefs.

### **Strengths**

- Greatest good for the greatest number – everyone's pleasure is taken into consideration in a business, it would encourage managers not to think of themselves.
- Teleological – looks that the consequences of an action in business and the possible outcomes.
- Flexible – can be applied to modern times too.
- Relative nature means that it looks at each situation and acknowledges that businesses are all different.
- Hedonic calculus – formula which can mean that it can easily be applied to situations.

### **Weaknesses**

- Division between beliefs about businesses – globalisation.
- Teleological – it is hard to predict the consequences of business decisions.
- Impossible to quantify – who decides if it is moral to build a polluting factory that would provide many jobs.
- The minority is not protected – the greatest good for the greatest number means that the minority will be allowed to suffer for the majority of the population – exploitation in businesses.
- Ignores the concept of duty – an action may be intrinsically right or wrong.