

B U S I N E S S W E E K

The Problem of Business Ethics

by

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There appears to have been steadily increasing public concern in recent years about ethical behaviour in business and in government. Whether this is due to a rise in ethical standards among the public at large, to a decline in ethical behaviour in business and in government, or more likely to the increasing influence of big business and big government on our economy is probably impossible to determine. In any case, the problem seemed to be an appropriate one to discuss this year when "Business Week" coincides with the University Christian Mission.

Use of the term "business ethics" is not intended to suggest that there is some special kind of ethics for those engaged in business but rather to indicate that this article will be directed at particular business situations which give rise to ethical problems. Consideration will be given to the responsibility of the business firm, of the church, and of the university in this area.

In the discussion considerable use will be made of a recent survey of several thousand business executives in the United States. This survey, conducted for the Harvard Business Review, will provide us with some insight into the types of ethical problems business executives see themselves facing and their views on how these problems might be dealt with. For convenience of discussion we will consider separately the responsibility of the business firm to society and the responsibility of the employee to his firm.

Polybius, a Greek historian, stated, when describing Carthage, "... nothing which results in profit is regarded as disgraceful". The vast majority of the businessmen surveyed rejected this view and it seems reasonable to assume that, inside and outside the business field, there is now general acceptance of the view that the business firm is only one element in our social system and that its freedom to pursue its economic objectives must be limited by legal and ethical considerations.

But there are many difficult problems. When business declines how much of the burden should be borne by the employees through reduced earnings and how much by the shareholders through reduced profits? What is the responsibility of the business for old or disabled employees? Judge Ganey, in sentencing the executives of U. S.

electrical firms convicted of violating the anti-trust laws last year, pointed out that the pressures of top management for profits put strong pressures on the subordinates to violate the law to get more profits. "The real blame" the Judge said, "is to be laid at the doorstep of the corporate defendants and those who guide and direct their policy". The executives in the Harvard survey seemed to hold a similar view because they said that the most important influence leading an executive to unethical behaviour was the behaviour of his superior. It is significant, and disturbing, that a majority of the executives stated that in their industry there were practices which were generally accepted but which they considered to be unethical.



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What about the ethical problems in the relationship of the employee to his firm? If he pads his expense account he is, of course, defrauding his employer and the government. If he does it with the approval of his superior he is engaged in a conspiracy to defraud the government and the shareholders. Is he properly discharging his responsibilities to his employer if he accepts personal gifts from firms which have business dealings with his employer? But what about the moral climate created by the companies which offer the gifts? And what about the wisdom of tax laws which permit personal gifts to corporate employees to be treated as legitimate business expenditures? There seems to have been a growing tendency recently for corporations to reduce or elim-

inate business gifts and governments seem to be reconsidering the wisdom of allowing personal gifts and elaborate entertainment to be charged as business expenses. But surprisingly in the Harvard survey three quarters of the executives were not prepared to accept a maximum limit of \$100 on business gifts!

One method of trying to deal with all these ethical problems which has frequently been advocated is the development of Codes of Ethics. These have been drawn up with increasing frequency in recent years for government employees and a majority of the business executives questioned thought that such Codes would be a good thing in business. Apparently the major advantage they saw was that the existence of a Code would make it easier to refuse unethical requests. However, to be useful such Codes would have to be carefully drafted. In the past many have been so vague that they have provided members of management with no clear guidance whatsoever. And many so-called "Codes of Ethics" have turned out in fact to be agreements to fix prices and limit competition.

Only a few of the businessmen questioned thought religion provided an adequate guide to ethical behaviour in business and only a minority thought that it provided any guide at all. Yet, in spite of this, most indicated that they would like to have more contact with the clergy. This apparent inconsistency seems to disappear when we look at the businessmen's reasons for considering religion an adequate guide to ethical behaviour. They considered that when the clergy talked in general terms about ethical principles the application of these principles to actual business situations was unclear. Yet when the clergy tried to indicate the direct application of these principles to business situations their unfamiliarity with business operations made the examples unrealistic. This leaves the inference that continued contact between the clergy and businessmen might give the clergy sufficient background in business operations to enable them to propose solutions to business problems that were both ethical and reasonable.

Finally, what part can the Universities play in improving the ethical performance of businessmen? A majority of the executives of most large corporations are already University graduates and the percentage will obviously continue to increase. In addition, an increasing percentage of the University trained executives will probably come from the business schools since their enrollments have been rising more rapidly than University enrollment in general. Clearly, the Universities, and particularly those with business schools, should accept some responsibility for making their graduates aware of ethical problems. They ought to be at least as interested in aiding the student to improve the ethical quality of his decisions as they are in helping him to improve the accounting or statistical quality of his decisions.

It would appear that the Universities have given very little attention to the problems of ethical behaviour in business. The elaborate studies of the business schools conducted in the late 50's for the Carnegie Foundation and for the Ford Foundation hardly mention the subject either in their analysis of what is being done in the business schools or in their proposals for revisions in the business school programmes. One is reminded of the scandals involving basketball players at a number of U. S. Universities which first began to come to light a few years ago. The only people who seemed to show any appreciation for or concern about the ethical problems involved were the sports columnists of the newspapers. The Universities were noticeably silent on this aspect of the problem; which may, of course account for the fact that such scandals continue to turn up with monotonous regularity.

In a few institutions some attempt is currently being made to introduce a consideration of ethical problems into the curriculum. The Academy of Management, at its annual meeting last month, devoted a half day to a panel discussion on the subject by faculty members who have been particularly active in this field. All were currently giving courses which dealt with ethical problems in business. However, some suggested that their ultimate aim was to work themselves out of a job by educating their fellow faculty members to incorporate most of the material into the courses in business policy, finance, management, marketing, etc. where they felt that the impact on the student would be greater.

There was considerable discussion on the nature of courses designed to deal with ethical matters. All members of the panel thought that such courses could only make the student aware of what various groups in the community thought were ethical problems in business and what their respective views were. They thought that a course of the nature of "Moral Principles" would have little impact on the students and that in any case, business professors were not equipped to teach such a course. However, not all members of the audience thought that this was an entirely satisfactory solution to the problem.

In spite of the apparent difficulties of dealing with the subject it would seem reasonable to assume that business schools should assume responsibility for dealing with the problems and for seeking improved methods. After all, Universities do claim to be superior to technical institutes since they claim to turn out graduates with a broad educational background and with the ability to appreciate the significance of all aspects of a problem. After all, if we accept Peter Drucker's view that "No matter what a man's general education or his adult education for management, what will be decisive above all ... is neither education nor skill; it is integrity of character"; then either the Universities should show as much concern for the ethical skills of their product as for the technical skills; or they should make more limited claims for the quality of their product than many of them are currently doing.

Social Notes

BUSINESS WEEK ACTIVITIES

The Business Administration Club is holding its second annual "Business Administration Week" commencing Jan. 15 and ending Jan. 19. Last year the "week" was a smashing success and with your help and participation it could be even better this year.

Events planned this year are as follows:

MONDAY, JANUARY 15. A general meeting was held in the Oak Room of the Student Centre at 7:30 p.m.

WEDNESDAY, JANUARY 17 This is the night the athletes take on the Arts Faculty in games of basketball at the LB Gym, a hockey game at the LB Rink (both at 9:00 p.m.) and at 10:00 p.m. a broomball game against the Arts co-eds.

THURSDAY, JANUARY 18 A full length feature MGM movie will be shown in Carleton Hall, Room 106 at 8:00 p.m. Admission is free to this excellent film so come and bring a friend or friends as the movie is open to everyone.

FRIDAY, JANUARY 19 A buffet supper and a semi-formal dance will be held at the Kent Inn beginning at 7:30 p.m. Punch will be served. The admission is \$2.50 per couple and tickets can be obtained from Derek Oland or Pete Snowball. Students are advised to get their tickets early as there is only a limited number.