

Ethical Values as Part of the Definition of Business Enterprise and Part of the Internal Structure of the Business Organization

Robert E. Allinson

ABSTRACT. The *orientation* of this paper is that there is no special science of “business ethics” any more than there is one of “medical ethics” or “legal ethics”. While there may be issues that arise in medicine or law that require special treatment, the ways of relating to such issues are derived from a basic ethical stance. Once one has evolved such an ethical stance and thus has incorporated a fundamental mode of relating to her or his fellow human beings, the “how” to deal with various ethical “issues” will follow as a natural consequence of one’s ethical stance or modality. It is not necessary, in the formation of one’s fundamental ethical stance to know if one is a utilitarian or a deontologist. It is doubtful whether Buddha knew what kind of ethics he was practising. If one conceives of ethics as something extrinsic to various disciplines and attempts to first practise a discipline and then to apply ethics to modify the results of that discipline it is entirely possible that conflicts will result between what is perceived of as the proper pursuit of that discipline and the ethical considerations. The *argument* of this paper is that it is more efficacious (in addition to being more true) to take ethical considerations into account in the construction of the definition of the discipline. This paper is devoted to showing that business and ethics are not two different and competing fields of interest (thus requiring a discipline of business ethics to be grafted onto the study of business enterprise), but that ethical concerns are part and parcel of the very concept of a business enterprise and the internal operation of a business organization.

Robert E. Allinson is Professor at The Chinese University of Hong Kong. He has authored over one hundred and fifty academic papers in international journals. He serves on the editorial boards of eight journals including Business Ethics Quarterly, The Journal of Chinese Philosophy and Asian Philosophy.

The equivalence of competing normative ethical justifications

In the end, the school of ethics to which one belongs is not ultimately significant in determining ethical outcomes. In other words, the same actions may be generated whether one is following deontological or utilitarian principles. Of course it is not to say that there are no conflicts between outcomes that may be predetermined from different ethical starting points, but such conflicts may be resolved by adopting a multi-positional ethical framework. Before examining a multi-positional ethical framework, it is interesting to become aware that the same behavior may be generated by opposing justification systems.

To illustrate the harmony that exists between competing ethical frameworks, it is useful to briefly examine the fundamentals of the leading ethical schools. Deontological ethics may be defined as that version of ethics in which one embraces values from the standpoint of what one holds to be absolutely right or wrong regardless of consequences. While the word originates from the Greek for duty, its use since refers more to the absoluteness of the choice. Sometimes, deontological ethics is also called formalist ethics to emphasize that one’s values are held regardless of the context. Utilitarian ethics may be defined as that version of ethics in which one embraces or disengages from values from the standpoint of what social benefits or harms may be produced. Nowadays, consequentialism is a term used interchangeably with utilitarianism. Eudaemonistic ethics, not so common any more, may be defined

as that version of ethics in which one embraces values from the standpoint of how an individual achieves his or her greatest self actualization. Egoistic ethics (such as Ayn Rand's ethics) is basically the pursuit of self-interest, and thus would not distinguish ethics from the typical picture of business as the pursuit of self-interest. As a result, such a definition of ethics adds nothing at all to the current conception of the non-ethical pursuit of business, and therefore adds no contrast for a fruitful discussion.

Ayn Rand is like Adam Smith without the proviso that the greatest good for society will come about through the device of the invisible hand, or like Friedman without the proviso that the greatest good for society will come about through the survival of the fittest. In other words, Rand seems to endorse self-interest without any regard for the public welfare. Hedonism is the unbridled pursuit of pleasure, perhaps even at the expense of egoistic self-interest. Hedonism, like egoism, adds nothing substantial to the prevailing concept of the non-ethical pursuit of business and hence provides no contrast for a fruitful discussion.

Religious ethics can by and large be perceived as a species of deontology though the source of the deontology in this case may not be a matter of personal choice but may come about through religious upbringing. For practical purposes, religious ethics may still be regarded as a variation of deontology. Of course this is arguable since it may be contended that one embraces one's religion out of egoistic motives such as the motive to save one's place in Heaven. Freud argued that religion was adopted to satisfy psychological needs and hence in a way could be said to have been maintaining that religion served a utilitarian purpose. For the sake of this discussion, however, it is the absolute rightness or wrongness of certain acts according to one's religious beliefs that is relevant and hence for present purposes religion may be considered to be a branch of deontological ethics.

Virtue ethics, which is growing in popularity, extols the merits of character rather than specific acts, but is still either deontologically or eudaemonistically based. Eudaemonism or self-realization ethics adds the concept of the realization of

ones higher or fuller or complete nature to the egoistic concept of self-interest and hence transcends egoism proper. While not popular in the present age it may possess value despite its rather archaic appellation.

In some ways, the three main schools of ethics cannot be absolutely distinguished from each other. While utilitarianism might seem to be favored by businessmen, one's absolute choice to be a utilitarian must be either a deontological one or an arbitrary one. Kant, who is perceived as the arch deontologist, tests his main ethical principle, the Categorical Imperative, in some of its formulations, by appealing to a consequentialist criterion. Plato's philosophy was certainly a blend of deontology, eudaemonism and utilitarianism. The entire deontologist versus utilitarian debate can be seen as a pseudo-conflict. Plato argued that one should be just, *both* because of the intrinsic goodness of justice (a form, it may be argued, of deontology) *and* because of the results that it brings (a form of utilitarianism). Plato adds an additional component to the deontological-utilitarian or formalist-consequentialist mix by saying that when one values justice both for its own sake and for its results, one thereby derives one's truest happiness as well. In this respect Plato's ethical philosophy was a blend of all three ethical ingredients. In the *Republic* Plato has Socrates say that justice must be placed in the highest class of things: ". . . as a thing which anyone who is to gain happiness must value both for itself and for its results" (*Republic*, V, 358). Within the mixture, Plato takes the side that justice is to be valued more for its own sake than for its results, but this does not detract from his view that it is to be valued for *both* reasons and *that* it can be valued for both is what places it among the highest class of things (*Republic* V, 366). The reliance upon the deontological-consequentialist-eudaemonistic mix with a slight built-in bias towards deontology offers a way out of dilemmas that confront the pure deontologist, the pure consequentialist and the pure eudaemonist. For example, the classic critique of utilitarianism's "greatest good for the greatest number" is that an injustice for a particular class could result, such as the slavery of a minority. The built in deontological portion rules

out this version of consequentialism. On the other hand, if following the directive of producing the greatest good for the greatest number runs the risk of producing a mediocre society, then the deontological portion or the eudaemonistic portion can act as a corrective. This was Plato's approach. While it may appear odd to classify Plato as a hybrid of deontologist, consequentialist and eudaemonistic elements, he does not think that one must make a choice between the Right and the Good. While it is traditional to describe Plato's ethic as a form of eudaemonism, such a label does not take sufficient account of his emphasis on the intrinsic value of justice. Most properly understood, valuing justice both for itself, and for its results, also brings about the greatest human fulfillment, so that Plato's ethics is actually a blend of all three types. While Plato's writings are not all consistent with each other on this point, in his key works, he did not see a conflict between the demands of happiness and the demands of morality. Indeed, if one understood Plato's separate works as intending to emphasize different aspects of life, then the different works need not be interpreted as inconsistent with each other. If one considers that Plato's vision of the *Republic* is for him the best and the happiest society, and in this work he is emphasizing the focus of society as a whole, then the demands of deontology and utilitarianism can be seen to merge. If profit making can be seen to represent a wider social interest, then it need not be intrinsically incompatible with an ethical orientation. That Plato saw it this way is clear from his division of society to include a capitalist class for whom making money is the prime value. The presence of this class is, for Plato, one of the ingredients in what he considers to be the best or most just society. It is an encouraging sign that some writers today are seeing that deontological or formalistic ethics and utilitarian or consequentialist ethics need not be seen as competing ethical viewpoints, but may be regarded as complementary perspectives. All that is lacking, to some extent, is the incorporation of the eudaemonistic perspective as well. As a result, one can be a deontologist in some respects, a eudaemonist in others and a utilitarian in yet other respects. One's choice of ethics can

be context driven, that is, relative to the type of choice that one is making, without one becoming a relativist proper, that is, one whose ethics is wholly determined by the context or culture in which one finds oneself. While Plato's ethics was a blend of all three types, one would hardly class Plato as a relativist.

Within the limits of this paper, ethics is viewed from a utilitarian standpoint when one refers to ethics as the social values which no business enterprise can escape from creating. This is still not an absolute utilitarianism, since it remains one's deontological choice that it is good to create social values. Ethics is viewed from both a deontological standpoint and a utilitarian standpoint when ethics is examined as a defining feature of the communicative infrastructure of a business organization. Ethics is viewed from an eudaemonistic standpoint when one considers that it is through business enterprise that some people can realize their full natures.

It may be argued that from the standpoint of utilitarianism that ethics may be a component of business, but from the standpoint of deontology that ethics can become the antithesis of business whenever business violated certain absolute ethical principles. For example, if one were a drug dealer, then, while one would produce some social good (jobs), one would produce far greater social evil (drug addiction). From the standpoint of deontology, this is ethically wrong even if some extremely minor social benefits were to be produced from the standpoint of the utilitarianism of the drug dealer and his employees. This particular business (not business in general) would also be considered ethically wrong from the standpoint of a wider utilitarianism which took not only the interests of this business into account, but the interests of the entire society. Thus, it would appear that from the standpoint of deontology and wider utilitarianism, ethics and certain forms of business to use Plato's metaphor from the *Philebus* will not mix. Another solution to the problem of the appearance of certain kinds of business operations as unethical is simply to understand that when certain boundaries are crossed an innocent or good activity can lose its goodness. Eating is good, but gluttony may lead to illness. Or, one

may simply adopt the position that the subject of one's treatment is limited to legitimate businesses, not illegal ones. This, however, to a certain extent, begs the question. Even illegal and unethical businesses have their own internal ethics, such as the code of the Mafia.

But for the purposes of this paper, it is important to remember that the ties between ethics and business are only being stressed in order to show the relationship between social values and business enterprises and not thereby to justify all business enterprises. While even the drug dealer produces some good, however minimal and outweighed by the harm she or he produces, her or his business activities are still value related. It would be marvelous if one could put a stop to the drug business by adopting a eudaemonistic ethic and attempt to persuade dealers to understand that they can make money and realize their happiness in another way without producing such terrible social harm. But since drug dealers cannot normally be so convinced, that is why one requires legislation and a police force. Not every social problem can be corrected by an understanding of ethics, whether deontological, utilitarian or eudameonistic ethics.

Underlying the utilitarian seeming approach taken to ethics presented here are fundamental deontological values such as not condoning murder, criminal businesses, mob violence, treachery, deceit, false representation and other dishonest business practises. (To be fair to utilitarianism, the same values can be generated from a utilitarian base by thinking in terms of consequences such as, if everyone were a murderer, then the greatest good for the greatest number would not be achieved, and so on, but this is a more roundabout method.) The main point is that the data base from which one starts is the data base of ethical business.

For the purposes of this paper, the data base is limited to that of legitimate business. This is not to say that illicit business may not possess an ethical justification but this is a separate question altogether. Within the scope of this paper, by limiting oneself to legitimate business as a data base, one builds in a deontology before setting out to examine the inherent connection between ethics and business enterprise from a utilitarian

standpoint. One could also have an underlying eudaemonistic base as well since part of what is being said here is that businesses can become more meaningful for their owners and workers as they become more ethically aware. The ethical business organization becomes a business community in which all members feel a sense of belonging.

While in the ensuing discussion, it may appear as if it is the utilitarian perspective which is awarded the most attention, it would not be fair to say that this is an exclusive ethical justification. With respect to the setting up of the definition of business, the built-in dimension of ethics appears to be utilitarian but this choice of definition is itself deontologically weighted. With respect to the ethical basis for agreements and contracts, the built-in dimension of ethics appears to be both deontological and utilitarian and even eudaemonistic, although primarily utilitarian. With respect to the choice of the ethical goals of a business, while it can be said that these goals are utilitarian (or eudaemonistically) based, the choice of such a utilitarian base remains deontological. With respect to the role that ethical values play in communicative infrastructure, it is clear that ethical values are chosen because of deontological, utilitarian and eudaemonistic considerations.

Ethics as an inherent feature of business enterprise

The orientation of this argument is that business ethics is not a separate subject from business administration. The danger of separating business from ethics is that one can easily justify unethical business practises by saying to oneself, or to others, "this is *business*", as if business were a separate domain which wore an ethics proof vest. Just as in the Mafia movies when before a contract is carried out, the contract killer says, "nothing personal," so, the businessman could always say, "after all, this is business", or, "business is business", which means that ethics is not considered. This attitude can be seen in such statements as, "when I go home to my family, I will put on my ethical hat. Now, I am

wearing my business hat.” The emphasis in this paper thus differs from the emphasis one frequently finds in discussions of business ethics, which almost always focus on ethical considerations as being separate from and needing to be added onto business interests.

If one were to attempt to start up a business and only later were to consider whether to apply ethics to modify the results of that discipline, it would be entirely possible that conflicts would result between what were perceived as the proper pursuit of that discipline and ethical considerations. The argument presented here is that it is more efficient (in addition to being more true) to take ethical considerations into account in the construction of the definition of the discipline. There are two fundamental ways in which ethics is involved in the definition of business enterprise. Firstly, ethics is involved in terms of the setting of the goal or goals of the business enterprise. Secondly, ethics is involved in terms of the establishment and the maintenance of the communicative infrastructure of the business organization. In addition, ethics is involved in the very conduct of business. This last feature of ethics has received treatment by others and thus will receive less corresponding attention.

Ethics as involved in the goals of an organization

No organization, even if it were interested in profitability as a prime goal, could avoid producing some kind of social benefit or avoid intending at least in some part to achieve some kind of goal which is other than purely making money. Even the examples of a mint that mints coins or a printer that prints paper notes to be used as currency are literally making money but they are also providing a service, that is, creating the means for everyone to have a medium of exchange, which is a utilitarian benefit. Every business enterprise that involves providing a service or making a product must provide a service or make a product which is something other than the profit that is to be generated from the service or the product. Even the businessman who sets out simply to make a profit must have

some idea as to how to go about doing this. “Making a profit” does not give the businessman starting up, any idea as to *what to do or how to do it*. *The profit motive is a non-user friendly Pole-Star*. The goal of simply “making money” does not give one any direction as to how to start up, continue a business enterprise, or what kind of business enterprise to start up in the first place.

If something else were to be required in order to start up a business enterprise in addition to defining the essence of the goal of business as being “the business of business is to make money”, then there must be some other element which is the defining feature of business enterprise in addition to the profit margin. The directive to make profits is too empty: it does not define business. One must add in something else such as, to produce a product that is needed, or to provide a service that is needed. *The notion of filling some kind of social need must be taken into account when one is starting up a business enterprise*. What is really lacking here is a fuller definition of business enterprise than the technically correct definition of the ownership or use of capital investment, land or labour in order to generate revenue for the owners. A definition of business enterprise that includes the creation of social value or the fulfillment of social need is needed before one can really understand what is meant by the word “business” in the first place. Of course it is understood that the desire for the acquisition of personal or family wealth lies at the basis of business activities. What is being suggested here is that the drive to obtain personal wealth cannot be actualized without taking social needs into account. While it could be argued that the fulfillment of social needs is not a self-conscious ethical act, it certainly can be self-conscious as it was in the case of Henry Ford to be cited below and in the case of many Japanese companies today. If it is not a self-conscious ethical act, it can become self-conscious utilitarian choice. If a deontologist were to consider the satisfaction of social needs to be the right course of action then engaging in business could be construed as an ethical activity from a deontological viewpoint as well. Whether or not one also derived a profit from one’s actions would be a separate question from whether or not one’s

actions produced social value. If ones actions produced social value such actions can be construed as ethical whether or not they are also profitable.

It is not only with respect to defining business enterprise that one must take into account the issue of social values. If one consults the typical kinds of definitions of economics one finds in an economics textbook, one finds either no references or only implicit references to the creation of social value or the fulfillment of social needs. In the Twelfth Edition of Samuelsons classic textbook on economics published in 1985, one finds a list of definitions of economics that provide an opportunity to illustrate how definitions of economics cannot be complete without a reference to social values and social needs even though in the following definitions the references are not always fully obvious. The first definition that is given is: "Economics is the study of those activities that involve production and exchange among people."¹

The above definition possesses the advantage of referring to people as the obvious agents of economic transactions without whom economic transactions would make no sense as there would be no one to produce goods or services and no one to exchange them and no one to receive them. It all but comes out and states that economics cannot be defined without a reference to social values or needs. However, without an explicit reference to the fulfillment of social needs or the creation of social value, it is incomplete as a definition of economics since it does not refer to the motivation or end-purpose of economic endeavors. By referring to production and exchange a glimmer of the mechanisms of economic activity is offered.

The second definition offered is: "Economics analyzes movements in the overall economy – trends in prices, output, and unemployment. Once such phenomena are understood, economics helps develop the policies by which governments can affect the overall economy."² This definition loses some of the advantages of the first definition by making the reference to the ultimate providers and recipients of economic transactions nearly non-existent. However, its reference to unemployment is unwittingly people

oriented. Everyone psychologically fears unemployment and the use of this word in a sentence makes it crashingly clear that it is people who would be unemployed. It also possesses the unique advantage of referring to the behavior of governments since government monetary policy, for example, obviously effects human economic behavior. However, how and why movements in economy take place remains shrouded in mystery and hence this definition is perhaps even less adequate than the first definition which at least makes reference to production and exchange.

The third definition offered is: "Economics is the science of choice. It studies how people choose to use *scarce* or *limited* productive resources (land, labor, equipment, technical knowledge) to produce various commodities (such as wheat, beef, overcoats, concerts, roads, missiles) and distribute these goods to various members of society for their consumption."³ This definition is without doubt the best so far. Like the first definition, an explicit reference is made to *people* as both the agents and the ultimate recipients of economic actions. The mentioning of specific commodities such as overcoats makes it very obvious that economics is involved in providing value for people and by extension possesses social value and for the same reason is involved in fulfilling social needs without which it would serve no purpose whatsoever and in fact would not possess any reason for being in the first place. By making explicit reference both to the examples of concerts and missiles this definition of economics makes it very clear that economics cannot be defined without reference to value and/or disvalue. It only lacks an explicit reference to the function of economics as a provider of social needs and a creator of social value to be more complete on the ethical side of economic activity and an explicit reference to the basic forms of economic activity such as capital investment, labour, rent and trade to be more complete on the business side of economic activity.

The fourth definition of economics that is given is the following: "Economics is the study of how human beings go about the business of organizing consumption and production activities."⁴ This definition possesses the advantages of the first and the third definitions of explicitly

referring to people or human beings. It also possesses the distinct advantage of referring to business thus displaying the important feature of economics that economics cannot be defined without reference to buying and selling, renting or trading. The mention of consumption and production is advantageous because it only requires a moments thought to realize that it is human beings who need to consume and benefit from consumption and that consumption cannot take place without production (of either goods, services or labour). It is hardly complete since the mere mention of production does not offer a hint as to the mechanisms of production.

The fifth definition that is given is the following: "Economics is the study of money, interest rates, capital, and wealth."⁵ While this would seem to be the most technically correct definition so far and resembles in this way the technical though limited correctness of the fourth definition while possessing the obvious advantage of an economy of expression, it possesses the disadvantage of concealing that it is people who set pay scales or interest rates and people who risk or lose capital and people who accrue wealth. The reference to wealth, however, does possess the advantage of making it very obvious that economics is concerned with the creation of value. In this case it is monetary value which is indicated. Again, some of the main instruments of the production of revenue such as manufacturing, trade, labour, rent, and sales are omitted from the definition.

The sixth and last definition offered appears to be an effort to summarize the variations of definitions that can be offered: "Economics is the study of how people and society choose to employ scarce resources that could have alternative uses in order to produce various commodities and distribute them for consumption, now or in the future, among various persons and groups in society."⁶

This summary definition possesses the advantages of comparative comprehensiveness and economy while making explicit reference to people and society, thus displaying that it is people and society who are the agents and the ultimate recipients of economic activities. It also possesses the advantage of explicitly stating that

the purpose of economic activity is the production of commodities for people thus making it abundantly evident that people are the end users of economic activities and that it is thus social needs and social values that are being filled. While none of the above definitions explicitly refer to social needs or social values, social needs and social values are implied by all the definitions of economics that are offered thus suggesting that it is impossible in principle to define economics without taking into account social needs or social values in the first place. The means of production are not referred to in this definition and thus how production and distribution take place and why they take place is not indicated.

It is interesting to note that in the third and in the sixth definition offered a reference to *scarce* or *limited* resources is indicated. This most likely is the influence of the tradition of economic thought which can be traced back to such figures as Malthus. Theoretically, one could approach economics as the study of *abundant* or over *abundant* resources. This would appear to be a question of circumstance, not principle. However, the reference to scarcity does seem to presuppose an ethical value which is either thrift or the value of distributive justice. The question, which is left unstated is, how does one manage production and distribution when the resources are limited? The question seems to imply that some attention in economics must be paid to making sure that resources either do not completely run out or that they are equitably distributed. Some concern is being shown for either the future of economic pursuit or the equity of its distribution or both. In either case, the reference to scarcity seems to suggest that some ethical value is at stake even if it is only meant that the ethical value is one's egoistic survival.

It seems to follow from this lengthy analysis that it would make sense to include the idea of social value and or social need in the very definition of business or business enterprise just as it would make a definition of economics more intelligible if the notions of the fulfillment of social needs or the providing of social values were included as part of its definition. It would also seem that any useful definition of business enterprise should include the major forms of the

production, transmission and distribution of wealth just as any complete definition of economics should make reference to the major mechanisms of wealth production. One might venture a definition of business which includes a direct reference to the how of production and consumption (thus satisfying the technical needs of the definition) which at the same time refers directly to the motivation or the end-purpose of business activity in the first place. While it is certain that the following definition is by no means problem free, it possesses the advantage of making the concept of social value and the means of creating that social value explicit and thus presents itself as a user-friendly definition for the business person. Business enterprise may be defined as the ownership or use of capital investment, labour or land to produce a product, or to provide a service that fills some existent social need, or creates a new need to be filled, or creates some social value in order to generate revenue for the owner or owners. For a non-profit business, that portion of the definition specifying that the revenue is to be generated for the profit of the owner or owners, may be omitted. This definition of business is more user-friendly than the definitions of economics that appear above because it both explains how products or services are produced and states that such a production fills social needs (whether pre-existent or created) and fills these social needs by creating social value. It also possesses the decided advantage of making a direct reference to the production of profit without which business and therefore economics could and would not exist in the first place unless one considered a pure barter economics which would create and depend upon the existence of human needs and human values but which would not necessarily require that individuals would derive excess or extra profit from such bartering.

The main point which the above list of examples of definitions and the analysis of such definitions is designed to illustrate is that *the very definition of business may require input from ethics in order to make sense of what it means to start or operate a business in the first place*. While no business ethics has, to my knowledge, considered the definition of business to be part of the discipline of business

ethics, it seems to me to be a most fundamental and important concern. Whether one's real desire were to fill some social need or whether the social need were one which should be filled is another story. The point is, one cannot have a business enterprise in the first place unless one takes social needs into account. While this seems to be implied or stated in definitions of economics, it does not always appear to be stated or implied in such definitions of business that one may find except that most definitions do finally make reference to making money. When it is understood that making money is already a value that one must embrace, it becomes clear that any definition of business that includes the making of money (and it is difficult to imagine how a definition of business can avoid a reference to profit) has already committed itself to including social value as part of its essence. Business has no definition if social needs and social values are excluded when one attempts to define business. Thus, it is more honest and more descriptive of the essence of business to take ethical values (e.g. producing goods or services for others) into account when attempting to define the essential subject matter of business itself. Every business to be a business must willy-nilly be involved in the process of obtaining wealth. The defining of business simply as an activity that intends the making of profit without referring to social values is incomplete since it totally omits both how and why such a profit is made. For a definition to fully satisfy the nature of business a reference to social value cannot be omitted. A definition of business simply as making money is incomplete and too abstract to be of service. A definition of business just as a definition of economics must make a reference to social value and thus must make reference to ethics in order to be comprehensible. One's values that one attempts to realize are the why and the wherefore of business activities.

Even the choice to be a business person is a choice which cannot but depend upon or refer to human value. Making of money is not an end in itself. Money serves the purposes of storing up security against the future thus implying that one must value the future in order to justify the saving of money. What sense can be made out

of a life devoted to making money without a wanted outcome and a method for bringing the outcome into being? Even the example of the stockbroker who were to claim to be a stockbroker simply to make money could not be a stockbroker without serving some social need, which in this case, might be to assist other people in making money from the money that they have already made, but which was only earning bank interest. He or she need not have this social need in mind as his or her main motivation, but he or she cannot help but serving this social need if he or she were to make his or her own profits. If it were to sound circular that the social need that is served, is, in this case, also making money, one must keep in mind that in this case part of the money is being made for others, and thus social value is created for others. Thus, the stockbroker, even if her or his prime motive were to make a large profit for himself, cannot avoid making money for others. She or he may lose money for others too, but in theory, at least, she or he cannot make money without *some* others making money, for if all her or his transactions were to result in losses for her or his customers, she or he would find herself or himself without a clientele. In addition, the directive to "make money" is not sufficient to enable she or he to conduct her or his business. The stockbroker must know what to do and how to do it. He or she must know how and when, in this case, to buy and sell stocks and which stocks to buy and sell and which stocks to hold. Thus, her or his business enterprise cannot be simply defined as a means of making money.

Whether or not the provider of the service, or the manufacturer of the product, has in mind any social value to be gained from that service or product, the service or product must provide some social value. It may be argued that some services (such as prostitution), or some products (such as weapons), provide disvalue rather than value, but it would be difficult to provide an example of a good produced, or a service provided, that did not provide some social value. There may be debate as to whether the net effect of the product or service is a value or a disvalue to society, but this does not affect the point that every good produced, or every service provided,

does not produce some social value however minimal, or however counterbalanced it is by some social disvalue that is produced. What follows from this is that *there is no such activity as a business venture that is totally divorced from producing some social value*. Whether or not the social value is intended by the provider of the service or the manufacturer of the product does not affect the truth of this essential fact.

If it were true that every business enterprise must produce some social value, then to take the consideration of value as part of what is produced is a consideration which may be entertained at the very beginnings of a business enterprise. If one were to consider that ethics were relevant to business, then one could even take ethical considerations into account in large measure when one were contemplating the roles of business organizations. In 1984, Roger Smith, the CEO of G.M. reportedly stated that the responsibility of CEO's and Boards of Directors needed to be expanded beyond the traditional concept of being responsible only to the shareholders of a company. Responsibility should be widened, according to Smith, to include the natural environment; the economic health of the entire country [this could be expanded beyond national boundaries] and the welfare of future generations.⁷ The notion that business is not there only to make a profit is, of course, not new to Smith. The original Henry Ford, the inventor of the model T, also held the view that business has other concerns than the interests of its stockholders when he said: "For a long time people believed that the only purpose of industry is to make a profit. They were wrong. Its purpose is to serve the general welfare."⁸

The stockbroker may concentrate on his own profits to a large degree and focus only as needs be on the profits of his clientele. *But the fact that he cannot make money without making money for some others, and thus creating social value for some others, means that social value or ethics is not something which is inherently in conflict with his desire to make money*. In fact, he cannot make money without making money for at least some others, so that he cannot help but producing social value, even if he were to have no interest in producing social value.

One must bear in mind that for a business to embrace ethics as part of its definition, it does not mean that a business should give up the value of making profits. *Values which are non-profit values, can serve as a motivator at the same time that one is motivated by profit values.* Ethics need not be seen as something antagonistic to the profit motive; it can exist alongside of the profit motive and even contribute to the profit motive. The separation of business and ethics is a part of a Western culture that considers that what is ethically good must belong to a non-body realm and that what is profitable cannot be ethical. For the Western mind, the notion that ethical and materialistic motivations can exist alongside of each other and even enhance each other is one which is a difficult notion to thoroughly accept.

What is being said is that the relation between business and ethics may be perceived as an internal relation, not as an relationship between two external realms. In the Protestant Ethic, if one were to earn a great deal of money, that would be a sign that one might have been favoured by the Deity. But in this case ethics and business are still perceived as belonging to two separate realms. What is being maintained here is that ethics and business can co-exist in the same realm.

What is being said here is different from what Adam Smith was saying in his early formulations of the theory of wealth. For Smith, one only needed to think of one's private interest and the "invisible hand" would take care of social welfare. While for Smith, ethics was built into business enterprise as a necessary side-effect of business enterprise, it did not require any self-conscious awareness, or added ethical action on the part of the entrepreneur. To quote Smith's famous passage: ". . . every individual . . . intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. . . . By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."⁹

While this can, of course, be disputed, it is interesting to note that for Smith there not only was no necessary conflict between the demands of business and the demands of morality; there

was a necessary correlation. If one were to pursue one's self-interest, the interests of morality were necessarily served. Unlike Smith, one need not relegate ethical values to the status of a side-product which is created as an indirect effect of following one's own self-interest. Ethics need not be seen as something extrinsic to or antagonistic to the profit motive; it can exist alongside the profit motive and even contribute to the profit motive.

The modern day counterpart to Adam Smith is Milton Friedman who has vigorously championed the idea that, "there is one and only one social responsibility of business – to use its resources and engage in activities 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 and fraud."¹⁰ Friedman actually separates ethics from business to a greater degree than does Smith since Smith sees an ethical outcome as a necessary side effect of pure business activity, while Friedman considers that possible unethical outcomes from business activities need to be redressed by government action and will not be taken care of by business pursuit alone. The difference between Smith and Friedman is that Friedman qualifies his wholesale endorsement of untrammelled business pursuit as best for society by stipulating that unethical business practises fall outside the range of legitimate business. In this respect, my position resembles Friedman's. However, it differs from Friedman's, in that I argue that ethics can be an ally to business, whereas for Friedman it is an impediment and an antagonist. My position resembles Smith's, in that business and ethics are not perceived as being in conflict. It differs from Smith's, in that, I argue that ethical concerns are part of business enterprise, whereas Smith sees them as necessary but gratuitous side effects. It also differs from Smith's in that Smith thinks that the pursuit of business alone will invariably bring about the social good, whereas I argue that only some and not necessarily the best interests of society will be so served. My position, unlike both Smith's and Friedman's, takes the view that self-conscious ethics can be a part of the goals of the business organization.¹¹

Ethics and the conduct of business enterprise

There is another way in which ethics is already a part of business, which is at the basis of both the goals of business discussed above and the communicative infrastructure to be discussed below, and that is in terms of the moral relationship that lies at the very basis of agreements and contracts. The very idea of trade requires a moral relationship between at least two persons. One cannot conduct business without the trust required to keep agreements. It is impossible to eliminate the waiting time between the delivery of a product or service and the payment. Whichever comes first, there is always a time of trust. The relationship between buyer and seller requires morality. The moral relationship always underlies the communicative infrastructure between business partners and employer and employee relationships. Without an underlying moral relationship, business agreements between partners and contracts between employer and employee would not be possible.

Ethics and infrastructure

Up until now this inquiry has been largely limited to the examination of what a business enterprise is attempting to accomplish externally, or the outside goals of an organization. The inside of a business organization or its management structure can also be examined for ethical content. What is being claimed is that there is a fundamental congruence between the principles of sound managerial organization and fundamental ethical principles. It is surprising to discover that ethical considerations are already inherent in the basic rules of sound organization. Whether such ethical considerations are explicit is another matter; but ethical principles can be discovered to lie at the heart of the basic rules of how to manage organizations effectively. Most of the current business ethics' literature does not come to grips with this issue although, it does discuss specific business codes.

The will to communicate, informal and formal reporting channels

From the standpoint of management, one of the most pervasive and important factors related to the functioning of a business enterprise is that of communication. The key concerns of management, such as leadership, motivation, organization, interpersonal interaction, problem solving, and decision making all involve communication. Unless one were to consider a one person firm, the quality of communication is a very important factor in an internally well managed organization. The quality of communication can in large measure be determined by what can be termed "the desire or the will to communicate". Firstly, one can examine the will to communicate from an ethical perspective in general; secondly, one can examine the will to communicate from the perspective of informal channels of communication; thirdly, one can examine the will to communicate from the perspective of formal reporting channels.

Ethics and the will to communicate

*The underlying principle of ethical communication:
The universality of respect for persons*

While there are many different perspectives one can take in forming one's ethical perspective, one perspective which cuts across most if not all ethical and religious perspectives can be defined as, *respect for persons*. If one were to take respect for persons to be one's most fundamental ethical value, then such a value would inform one's action towards others. As one's most fundamental value, there would be few instances, if any, in which one would be willing to violate one's respect for persons.

If the concept of "Respect for Persons" were analyzed, it is observable that one's attitude is the same whether the source of the attitude of respect for persons is the value that this attitude is a reflection of what is right, regardless of consequences (or deontological ethics), or the value that this attitude will conduce towards the greatest happiness for the greatest number of

persons (utilitarian ethics) or the value that this attitude will conduce towards the greatest possibility of self-realization on the part of everyone. The selection of this principle of ethics thus cuts across the false dichotomies between deontology, utilitarianism and eudaemonism and allows one to be ethical without worrying if one must first decide if deontology or utilitarianism or eudaemonism were correct before one can choose to be ethical.

In addition, it is of interest that this principle appears to be both a cultural and a religious universal. One can trace this notion back to the Golden Rule both of the Judaeo-Christian and the Confucian heritage which in its negative formulation in Confucius reads, "Never do unto others what you would not like them to do onto you."¹² One can also find this most basic principle in early Buddhism.¹³ The classic philosophical source for the notion of treating persons with respect is Kant's Categorical Imperative which in the most user friendly of its three versions reads, "Act in such a way that you treat humanity, both in your person and in the person of all others, never merely as a means, but also always as an end."¹⁴ This concept of respect can be expanded to include the natural environment and future generations if one views "respect for persons" to be too anthropocentric or present bound. For simplicity's sake the expression "Respect for Persons" is employed, since despoiling the environment and upsetting the natural balance inevitably implies a disrespect for living persons and future generations.

When one is treating another as a person, one relates to that other not merely as an employee, but as a full human being. While this might translate into many different fundamental modes of relating to the other, such as with politeness, recognition of the other's human rights and human needs, in a day to day business context, the ultimate translation for according respect to another as a person is to communicate with that person, whether directly or indirectly, as an equal. In the Japanese Management System, this is shown in non-verbal forms of communication such as giving lifetime employment to employees, which makes the employee feel as valued and safe as the employer, and following the *ringi* system

of decision making, which makes the employee feel that his opinion matters just as much as the opinion of his employer.

This does not mean, of course, that there are no hierarchies of authority in a business context. But given those hierarchies, communication must be respectful. Respectful communication means both that one listens to the other, and that one talks to the other with an attitude that the other deserves to be both talked to and listened to. This might entail going out of one's way both to talk to the other, and to encourage the other to talk to one. Such an attitude springs from the fundamental ethical tenet that one's primary attitude towards others is one of respect.

Ethics and informal channels of communication

The establishing of viable informal channels of communication is one extremely important method of ensuring that the will to communicate has some way of manifesting itself. It is not enough to possess the intention of respecting personhood; it is necessary to the concept of respecting persons to ensure that that respect will be actualized. Otherwise, respect for persons will remain a hollow attitude which possesses no outlet and hence will not really constitute a genuine respectful relation to persons.

The setting up of informal channels such as common rooms, tea rooms and coffee shops, which are genuinely frequented by all members of an organization, thus giving access to all members by all members, is a non-verbal communication that one really does possess an attitude of respect for persons. The legendary stories of such figures as Tom Watson, Sr., and Konosuke Matsushita walking the factory floors, and Akio Morita eating in the cafeteria with his blue collar workers, are other examples of demonstrating that a genuine respect for persons does exist. IBM's Open Door policy is another example of an informal channel, which comes close to being a formal reporting channel, and thus cuts across the strict line of formality and informality. While all of these can be seen as integral aspects of good business policy, they can

also be seen as emanating from a basic ethical attitude. Once again, there is no fundamental conflict between good business policy and ethical values. In fact, it may be argued that the providing of these communication channels in the right spirit actually provides the conditions that make ethical relations possible. By the same token it may be argued that it is an ethical spirit that generates the concept of these channels in the first place. The division between sound management policy and the attitude of respect is a pseudo-distinction.

Ethics and formal reporting channels

Under the category of formal reporting channels, one can include the explicit responsibility for communicating clearly those sets of tasks which each level within the hierarchy is responsible for carrying out. Without the notion of a clear-cut set of responsibilities belonging to each member in a vertical chain, it is difficult to understand on what basis each member of a chain reports to another, except in terms of pure authority. Thus, every level must carry with it a clear-cut set of responsibilities, so that it is clear what must be reported upon, in addition to, to whom one is responsible for reporting. If what an individual is responsible for, and to whom an individual is responsible, is not communicated to the individual, then that individual has not been treated respectfully. In addition to the matter of the possible neglect and/or conflict of responsibilities that might ensue, it is also not clear from the reporting individual's standpoint, what matters that individual should report upon. It is also unclear to the individual who should receive the report, what matters she or he should expect to receive reports upon, from which individuals. The absence of clear-cut and clearly communicated sets of responsibilities both to act upon, to report upon, and to receive reports about, undermines the process of communication both from the management standpoint and also undermines the *importance of the communication process from an ethical standpoint*. If there were clear-cut formal reporting lines of communication, without the accompanying designated content which is to be

communicated, it would be difficult to understand on what basis each member of a chain were to report to another except in terms of pure authority.

Now, it can be said that the notion of clear cut divisions of responsibility and reporting channels are simply elements of sound management policy. If there were an absence of knowing what one is responsible for, the notion of reporting channels leading to and from one's level in the hierarchy would be without efficacy. Likewise, if there were a clear-cut notion of what one is responsible for, without the presence of reporting channels, one would function as an isolate within an organization, and this can lead to management mistakes of great magnitude. What is of interest to note here is that the presence of clearly defined roles of responsibility and formal reporting channels are not only the basis of organization in the first place: they are the consequences of a fundamental ethical orientation. The organization which functions without a clear-cut set of reporting channels functions disrespectfully, since it is not according individual persons any means for communication. An organization which does not set out both unique responsibilities for each level of power, and a clear line of reporting channels, treats all individuals within that organization with disrespect. Of course, the presence of the mechanisms would be but empty forms if they were not informed by a genuine spirit of the will to communicate. But the absence of such mechanisms is at the same time the trademark of an unethical organization, because no genuine means for communication are available, and therefore, there is no way in which respect for persons can be made manifest. While it is certainly not a new idea that clear-cut and clearly assigned roles of responsibility and reporting channels are the very basis of sound management policy, it is of interest to note that these very same mechanisms are a key ingredient in the formation of an ethical organization.

In conclusion, the examination of sound mechanisms for communication and appropriate management structures and procedures shows that these mechanisms are at the same time forms of ethical communication. It seems to be the case

that not only is ethics required for the formulation of the goals and thus the matter (goods or services) of business organizations but that business organizations which are organized on the basis of sound management principles provide the forms without which ethical communication and ethical action within the firm cannot be actualized. Ethics is required for business and in the sense that proper business organization is required for ethical business relations inside the firm, business is required for ethics.

Notes

¹ Paul A. Samuelson and William D. Nordhaus, *Economics*, Twelfth Edition, New York: McGraw Hill, 1980, p. 4.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Donald P. Robin and R. Eric Reidenbach, *Business Ethics, Where Profits Meet Value Systems* (Englewood Cliffs: Prentice-Hall, 1989), p. 7.

⁸ Ibid., p. 161.

⁹ Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (ed.) Edwin Cannan (New York: Modern Library, 1937), p. 423. Patricia Werhane has argued in her *Adam Smith and His Legacy for Modern Capitalism* (New York: Oxford University Press, 1991, p. viii) that even this quotation of Adam Smith was intended to be understood as applicable only in the context of a level playing field and a well-defined framework of justice. Cf., also, p. 130 *et passim*. Thus, Smith cannot be construed to be the

patron of robber barons. What is true is that Smith thought that given a just society, the pursuit of self interest inevitably led in the direction of justice for society as a whole. Smith thus conceived of business interests as not merely inevitably linked with ethical interests but as causes of ethical outcomes.

¹⁰ Milton Friedman, 'The Social Responsibility of Business is to Increase Its Profits', reprinted in Raziell Abelson and Marie-Louise Friquegnon, *Ethics for Modern Life* (New York: St. Martin's Press, 1987), p. 287. [Originally taken from Friedman's, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 133.]

¹¹ For a view which considers Smith to be closer to ethics than Friedman but for different reasons than mine, Cf., Thomas Donaldson, *Corporations and Morality* (Englewood Cliffs: Prentice-Hall, 1982), pp. 62–69.

¹² *Analects*, XV, 23; *Chung Yung*, ch. 13.

¹³ Hajime Nakamura, 'The Significance of "Harmony" in Buddhist Thought', in Robert E. Allinson and Shu-hsien Liu (eds), *Harmony and Strife: Contemporary Perspectives, East and West* (Hong Kong: The Chinese University Press, 1988, p. 102.16. For a fuller discussion of the Golden Rule, Cf., Robert E. Allinson, 'The Confucian Golden Rule: A Negative Formulation', *Journal of Chinese Philosophy*, 12 (1985), pp. 305–315.

¹⁴ Immanuel Kant, *Groundwork of the Metaphysics of Morals*, p. 429. Cf., *KANT'S Critique of Practical Reason And Other Works On the Theory Of Ethics*, translated by T. K. Abbott (London: Longmans, 6th Edition, 1963), p. 47.

*The Chinese University of Hong Kong,
Department of Philosophy,
Shatin, NT,
Hong Kong.*