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## Management Ethics Guide

P. W. Van Vlack

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BULLETIN 523

DECEMBER 1964

ECONOMICS DEPARTMENT

AGRICULTURAL EXPERIMENT STATION

SOUTH DAKOTA STATE UNIVERSITY, BROOKINGS



ethical studies

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# **management ethics guide**

**Small Business Management  
Research Reports**

PREPARED BY SOUTH DAKOTA STATE UNIVERSITY  
FOR SMALL BUSINESS ADMINISTRATION  
WASHINGTON 25, D. C.

## ACKNOWLEDGMENTS

Was it not the late Bernard De Voto who said that when one borrows from a lone person, that is plagiarism; but when one borrows from many persons, it is research?

*Management Ethics Guide* borrows from many persons, and from some few a great deal. Members of the South Dakota State University staff in ethical studies have at various times contributed to the thinking in this Guide. But not always will those who have contributed the most in discussions or memoranda recognize their ideas in what appears here. The ethical studies staff during this project included the following professors: *History and Political Science*—Edward E. Barry, Edward J. Janisch, and Charles L. Sewrey; *Philosophy*—Charles D. England, Morris J. Morgan, and Richard K. Sheer; *Drama*—Clarence E. Denton; *Art*—Richard W. Edie; *Journalism*—J. K. Hvistendahl; *Religion*—Julia Hazard and Charles E. Nielsen. Consultants Benson Y. Landis and Howard Osborne contributed, also, to the development of ethical concepts.

Charles E. Nielsen did major organizational work, including the organization of field interviews and chairing staff meetings. Benson Y. Landis drafted most of the basic ideas for the introduction, the last chapter on professional business management codes, and a number of the case studies. Howard Osborne developed the key ideas for the section on freedom and liberty and many of the key concepts in ethics. Charles D. England gave gentle words of caution at a number of places and provided helpful memoranda on key concepts in ethics and on the theory of social responsibility. J. K. Hvistendahl's editorial contributions have reminded all of us, once again, of the importance of the artist with words in the synoptic disciplines.

Photos were furnished by the American Management Association.

The staff of the Business Studies Division, Small Business Administration, have been patient above and beyond the call of duty. Special thanks go to Forrest S. Decker, Florence May, and their colleagues, and to Charles J. Kappler, chief of the Management Assistance Division of the Small Business Administration at New York.

Colleagues in the Department of Economics at South Dakota State University have provided practical insights. Ethical inquiry involves considerations of both "what is" and "what to do"; and economics colleagues have helped with both types of analysis.

PREPARED BY SOUTH DAKOTA STATE UNIVERSITY  
UNDER THE SMALL BUSINESS ADMINISTRATION  
MANAGEMENT RESEARCH GRANT PROGRAM

# **management ethics guide**

By Philip W. Van Vlack  
Associate Professor of Economics  
Project Leader, Ethical Studies

DECEMBER 1964

## FOREWORD

This Small Business study, *Management Ethics Guide*, has been conducted and prepared by Philip W. Van Vlack, project director for South Dakota State University.

The research was financed by a grant made by the Small Business Administration, United States Government, under the authority of Public Law 699 (65th Congress).

Only a limited number of copies of this report have been printed. It is available for reference in any of the Small Business Administration offices throughout the United States or at many reference libraries. Copies of the report also may be purchased for \$1.50 directly from Department of Economics, South Dakota State University.

Summaries of this study have been printed and are available in reasonable quantities. These summaries may be secured from SBA field offices or from the Small Business Administration, Washington, D. C. 20416.

The Small Business Administration assumes no responsibility for the accuracy of the data contained herein, nor does it necessarily endorse any opinions, conclusions, or recommendations which may be a part of this report.

EUGENE P. FOLEY  
Administrator  
Small Business Administration

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# Using the Guide

This Guide is for business leaders who teach other businessmen. According to a recent survey of business executives, (Raymond Baumhart, S.J., *Harvard Business Review*, July-August 1961), the best guarantee of high standards of morality in business is for subordinates to have bosses who themselves have high standards. This Guide is directed to business leaders who have such high standards, and who sometimes lead others in advanced management training. The Guide is also for educators in government, management associations, and universities.

Some individual business managers may wish to use this Guide as a reference for self study. Others may find it useful for groups to use as a basis for discussion.

Other educational materials in business ethics can be used with this Guide, and will be recommended in the chapters which follow.

The Guide focuses on the methods of moral and ethical inquiry — on how you *do* ethical analysis. For those who wish to schedule workshops in management ethics, the five chapters of this Guide can serve as guides for five meetings on: (1) What are the methods of ethics? (2) What management problems are moral problems? (3) What moral standards should management hold to? (4) Why is a motive or an action



right or wrong? and (5) How can management teach ethics or enforce compliance with moral standards?

This Guide also contains several "Management Audits" which can be used, if desired, to stimulate reflection on the moral problems, the moral standards, and the ethical perspectives of the reader. Or the Audits can be used to reflect on similar problems and standards of some firm or industry with which the reader is acquainted.

### **Purposes of Discussions in Ethics**

Individual study in ethics, alone, is never fully satisfying. We learn from each other. Indeed "dialogue" is one of the most important methods of ethical inquiry, as suggested in Chapter One.

In conferences or workshops in management ethics, discussion of ethics *may* sometimes turn to the whole area of ethics. This may happen even if you set up discussions in one particular area of business relationships.

What are the purposes of discussions in management ethics? Among many purposes, discussions may refer to:

**What problems in business are moral problems?** Some problems which seem trivial to some people seem major to others. Participants in discussions need a chance to get some of their views into the open.

**Moral standards and ethical principles.** Moral standards are guides which people use to decide what to do. Ethical principles help determine which standards to use. People will have many ideas concerning their origin and validity.

**Observance of standards and the lack of observance.** In a period of rapid change, these seem to be increasingly discussed.

**The insights and judgements of individuals with respect to ethical issues and problems.** Closely related is the whole matter of individual self-examination and self-study — one's appraisal of his personal integrity and alertness. Personal experience is always important in such discussions.

**Authorities for standards.** Authorities are always numerous, whether so recognized or not. One authority is tradition or history. Whether we admit it or not, history does intrude into our discussions, and the lessons of the past are heeded, challenged, or ignored from time to time.

The precepts of religion are authorities, because the teachers of all the great religions have affirmed that they have something to say about what is right, or just, or fair in human relations. The Scriptures, which are regarded as the most authoritative guides in religion, are constantly

appealed to for aid. The religious teachings also include both absolutes and specifics. The absolutes, e.g. "Thou shalt love thy neighbor as thyself," are always being applied or interpreted. But what do absolutes mean in terms of specifics? When do we love our neighbors as ourselves, and how?

Religious bodies also furnish us with pronouncements of all sorts. These are statements of the meaning of the Scriptures and the creeds in terms of such matters as: labor-management relations, social responsibility for the unemployed, the appropriateness of social insurance, etc. These are debated, accepted, rejected, and modified. Pronouncements of course, are also made by other organizations.

**Experiences of others.** We do not rely only on tradition or religion or pronouncements—we may also learn from the experience of others with whom we associate. This is transmitted to us in writings, conversations, conferences, etc. It is sometimes hard to learn from the experiences of others, particularly if we misunderstand or disagree. But the process goes on.

**Challenges to accepted standards.** These are all about us. For example, there is opinion to the effect that large scale organization challenges the traditional ethics of small scale institutions. Or, an urban society critically tests the older "rural ethic." "Good fences make good neighbors" had been said in rural areas long before Robert Frost put the line into a famous poem. What does it mean in a complex urban society?

**Systematic codes of ethics.** These are being formulated not only in the various professions but also by business groups. And there is more discussion of the question of whether business management is becoming a profession. What are the advantages and the limitations of codes? Are they good only when they are frequently tested or used? How do they help us to deal fairly with customers and competitors?

**To sum up,** discussions in business ethics can provide a chance to:

- Explore moral issues and points of view.
- Acquire new insights or understanding.
- Understand the positions of those from whom we differ.
- Expose the participants to alternative proposals for action.
- Compare experiences, and to combine personal experience with knowledge of resource persons who have given special study to topics being presented.
- Study plans for future action.

## **What Are the Results To Be Expected?**

If one accepts the above as good purposes, what should he look forward to by way of results of seminars or workshops on management ethics?

Results may not be neat or precise. Discussion may or may not result in a consensus. Probably an understanding of disagreements is as likely a result of good discussion as is an agreement.

Another good result should be that people who have questions or comments should have an opportunity to express them. But 100 percent participation in discussion is not necessary. Some people learn from a discussion without saying anything at all — one reason is that some other person who speaks more readily has already said what the silent one would have said. Both those who speak and those who do not should have opportunity to compare positions and to hear facts that relate to the topic. New insights come in various ways. Sometimes one is not immediately conscious of them. At a coffee break the day after the discussion, fuller understanding may come.

## **Organizing Management Ethics Seminars or Workshops**

Whether we recognize the process or not, most of us find all sorts of informal situations in which we discuss moral problems. Some people write letters to the editor, and that is one form of discussion. People gather around the cracker barrel — or a modern equivalent — to talk things over, usually somewhat unsystematically. People sometimes discuss the morning sermon at the Sunday dinner table. People react in one way or another to a radio or TV address by a business or political leader. The coffee break has become a place for all sorts of discussion. But these are generally informal or unorganized.

**Organized discussions** on business or managerial ethics can be arranged as part of a regular meeting of an organization, or as part of another program. Discussions may precede or follow a business session. A luncheon or dinner may be followed by discussion. Or, the necessary setting for good discussion can be arranged with a minimum of expense when discussion is combined with some other session. A discussion of ethics can also be the main purpose of an organization meeting or a series of meetings.

*Management Ethics Guide* is arranged so that it can serve as a guide for a five-meeting workshop or seminar series.

**What about the time to be allowed for each discussion?** Again, there can be no hard and fast rule. One experienced teacher says that the time to adjourn is while the discussion is still warm, and when many have taken part. This may be better than going on into repetition and dull-

ness. Sometimes people say about an hour and a half, depending on conditions, and providing one does not act openly unfair to participants. It is better to follow an unexpected interest than to try to be altogether orderly.

**What will people readily discuss?** First, all of us will discuss our own *experience* and compare it with that of others. People will discuss *cases*. (This Guide has cases; and you can provide additional cases for the groups you lead.) People will also readily discuss the moral standards and moral absolutes from various sources, and the way the standards and absolutes relate to specific rules. People will discuss what they regard as “fair” or “unfair.” They will discuss a specific proposal that affects them. People will discuss what seems “common sense” to them.

Good discussion enlarges these areas, however. Good discussion in addition will provide for consideration of both business “facts” and ethical theory. Facts can be introduced in various ways, probably best indirectly, or after experience has been stated. A prepared person may bring them in as called upon, or the leader or teacher may himself have to have them available and offer them. It is most important to introduce facts in such a way that they stimulate rather than shut off discussion.

Ethical theory — always present whether people know it or not — is probably even more difficult to introduce, because we Americans all feel ourselves very practical and do not want to hear too much about philosophy. But this very view is an ethical position. As with factual data, theory or philosophy are probably best given indirectly and briefly after a discussion has begun. However, alternative philosophies can become subjects of fruitful discussion, and can be the focus of some of your meetings on business ethics. When theory is discussed it is helpful to use case examples. This *Management Ethics Guide* describes alternative business philosophies, and gives cases.

**What are significant questions for discussion?** Ordinarily a question that is easily answered with a definite “yes” or “no” is not a good question. A “Why?” question is much better. The significant types of questions are those that call upon people to state their experiences, that give proposals (or alternatives), that arouse memories of precepts from the past, or focus on what is fair or just—and *why*. These may then be followed by questions about business facts or ethical theory or religious pronouncements on business policy statements. There is no best way for all occasions.

Probably in a discussion of ethics in a technological age it is better to ask significant questions, and to explore them, than it is to find neat answers to questions. In the process, participants may find new answers

or question their traditional answers. Or they may learn how to ask further good questions.

Now for specific techniques of discussion.

### **Techniques of Discussion in Ethics**

Well organized technique will not of itself assure a good discussion in business ethics. Technique does not take the place of knowledge. But without attention to technique the chances of attaining good discussion are considerably reduced.

When does one use what? This depends upon the experience and skills of the leader, the size of the group, the time available, the facts that are accessible, etc.

**The forum.** This, with all the adaptations possible, is probably the most widely used technique in America. It may be simply in the form of a few questions after a speech; or the forum may be organized in a well-prepared series on ethical issues of management, with a large number of speakers.

Usually there is a chairman or leader, and one or more speakers, at a session. The speaker may be supplemented, after discussion of his statement has begun, with brief comments from another specially prepared person. The chairman has discretion to determine the length of the discussion, which will depend in part on the degree of interest. Also, the chairman may make a brief summary at the end, or at least indicate the range of ideas taken up and the areas of agreement and disagreement.

**The informal discussion group.** This method is much used in small groups, ranging from about 10 to 30 or 35. It requires a leader with some skill or sense of the method. He should understand the various methods of ethics as described in this Guide.

One way he can start is by drawing on the experiences of members of the group, possibly by asking questions such as: "Why is there concern about this kind of ethical problem compared with another?" The leader then may move from expressions of experience from the group to some kind of formulation of the business problems and ethical issues that emerge, and then to consideration of alternate kinds of action. If an expert is present he may be asked to furnish facts briefly at any point where the leader or some members wish to have factual material to supplement their experience. The leader tries to weave together the contributions from members and experts in a brief summary at the end.

This method permits many adaptations. Sometimes the leader himself must also be something of an expert or look up facts in advance. Sometimes the leader makes only a brief statement at the beginning; or other times he may start with a question or questions to the group. If the leader makes a long speech, he will be having a forum.

**The panel.** Here is a widely-used method suitable for a relatively large group. It may consist of a very informal conversation among three or more persons who sit with a chairman in front of the group. More often, it consists of relatively brief statements. (Seven minutes per speech may be better than 25, if a discussion is expected.) The chairman's role is to encourage clear statements from the panel members, who usually have opposing or differing points of view. It is interesting to have panel members who have different *ethical* views, who know *why* their views differ, and who understand the ethical reasoning of other members of the panel.

The chairman should also diligently seek discussion from the floor after the members of the panel have contributed. The chairman may ask the audience for specific questions to be addressed to members of the panel. The chairman may also direct questions from the floor to one or more of the panel members. The chairman may also briefly summarize the end.

**The buzz sessions.** Large groups may be sub-divided into small sections or "buzz groups" so as to give opportunity to all for talking things over. This device enables many who do not speak up in a large group to make their contribution. Division is accomplished in several ways: ten people sitting in one corner make up the first group, and each group then selects its own chairman and reporter. Or the chairmen may be selected in advance and people assigned by their position in a hall or alphabetically. Either way will probably encourage a "cross section" discussion in a large group. Usually the reporters of the small groups report back the main ideas or proposals to the large group.

The buzz groups can discuss cases, like the ones in this Guide. They can discuss "What I would do, and why." A good discussion of ethics focuses on the question, "Why?"; and buzz groups are good places for people to discuss whys.

**The workshop.** This is also a means fairly widely used, particularly among people with considerable experience or skill. This Guide is designed for use in workshops—one chapter per session. The workshop may be carried on for a day or two or for several weeks of regular evening sessions. The topic of management ethics is necessarily a fairly

comprehensive one. The program may then consist of presentations to the entire group by well-prepared persons, followed by divisions into small groups that work in intensive fashion on cases, on sub-topics, or an important aspect of the main topic. These small groups then report back to the entire workshop. It is necessary to have both an experienced person in charge of the entire workshop, and experienced persons to head up the small groups.

**Other ways.** The **symposium** is very similar to the panel. However, it consists of several short presentations by well-prepared persons, with a chairman to elicit discussion after the speeches.

The **seminar** consists of a relatively small group which hears one or more prepared papers or oral presentations, followed by discussion led by a leader or teacher.

The **traveling seminar** is a variant of the seminar. A group hears a presentation about some "live" moral issue, then visits a community or an organization, or a business, and then engages in further discussion after or during the visit.

The **radio or TV listening group** is a relatively recently devised method whereby small groups of people gather in homes or other meeting places to listen to a program and then discuss it with a leader or chairman. This can be adapted to business groups by using a film as a basis of discussion.

The **study club** is a device whereby a small group, 10 or more, gather regularly to consider a book or pamphlet, or other materials. Usually one person, e.g., the chairman, presents a portion of the subject matter and the rest discuss. Often books are reviewed and discussed in this way. Study clubs are most often organized by churches, synagogues, other existing religious or professional organizations.

The **study-action group**. This is a variation of the study club and is used when a proposed action is being recommended. Here the emphasis is directly on "what should you do." (Action may also be an outcome of other techniques outlined above.) For example, a study-action group could be used to set up a code of ethics for a business or a profession.

The **drama, followed by discussion**. People will readily discuss a movie or a play that they have seen. Many a commercial movie seen on screens of the local theaters raises ethical issues in a most direct way. It may be seen by a group that then moves to a room for a discussion under a leader. Sometimes churches, clubs, or business organizations can schedule reruns of plays that have been put on film, like "Death of A Salesman" or similar thought-provoking drama. Or, the

imaginative business manager, with cooperation of employees, could present "live" ethical problems by way of two- or three-person **socio-dramas**, followed by discussion.

**Contributions to good discussion.** No matter which technique, or combination of techniques is chosen, both members and the leaders have responsibilities in discussion.

One of these is **self-study** or systematic readings or even conversation, prior to the meeting. In order to encourage preparation, the questions or the programs must be announced well in advance. The leader may also be able to suggest reading for preparation, or a trip to the local public library will help. Sometimes librarians will arrange a small collection of books, pamphlets, and magazine articles for use before a discussion.

The **leader's preparation** in any program in business ethics is as essential as that of speakers or experts who take part. One good way to start is to list the probable areas or aspects of a question likely to come up from persons who will take part. Probably not all of these will be mentioned. And the unexpected will also arise and have to be dealt with. It is better to follow an unexpected but interesting turn in the discussion than to slavishly follow questions prepared in advance.

Another part of the leader's preparation is to read for background, both on method of discussion and on the topic to be considered. Ideas from this Guide may be appropriate for discussion, or books suggested in the bibliography will give considerable help. An inexperienced leader may go to his task in an attitude of experimentation. Everybody who has ever led a small discussion group or presided at a forum has had to do it for the first time and everybody has had to learn, to some extent, by doing.

*Management Ethics Guide* is the first in an ethical studies series prepared at South Dakota State University. The second, an annotated *Economic Ethics Bibliography* will serve scholars in business, economics, or management ethics who wish to go much deeper into the basic literature.

A guide for adult education in management ethics will be an extension of this study and provide a theoretical rationale for adult educators who wish to see how popular education in management ethics fits in, yet differs from, current theoretical instruction in philosophical and theological ethics.

We hope you find this Guide useful — for yourself and for the groups you will lead.

PHILIP W. VAN VLACK





(MEETING ONE)

# Problems and Methods of Management Ethics

This Guide focuses on a field of study, ethics, as applied to business management. What is ethics as a field of study? And what is management ethics?

*Ethics* is a systematic study of moral choices, and of the moral standards by which right choices are made. *Management ethics* is a field of study which considers what is right and good in the moral choices managers make. It includes study of moral standards used in management. *Ethics* is the field of study, and *morality* is what is studied.

Management ethics is both practical and theoretical. It is practical because it helps answer questions of “what to do”; it is theoretical because it gives knowledge about the nature of things—“what is.” Ethical theory asks about the meanings of right, good, duty, etc. Various ethical

viewpoints of business managers are identified and described by ethical theory; and these viewpoints make a big difference in management decisions.

## **A. FOUR PROBLEMS OF MANAGEMENT ETHICS**

Four types of moral and ethical problems are considered by this Guide. A case example will help illustrate what these problems are.

### **Case Example in Price Fixing**

The young manager of a new small business establishment is having coffee with two competitors who have been in business for some years.

The men discuss a new contract to be let by the city. The two old-timers, who have co-operated before, propose that all three offer nearly identical bids (higher than any one of them would have submitted alone). The three are the only firms in the area equipped to do the job.

After the waitress brings seconds of coffee, the two suggest that the new shop manager submit the low bid this time. Thus he could get the contract, which he needs. Later on the three could take turns—not with clockwork regularity, but so that over the months the contracts would be divided fairly. The two ask the new manager if their proposal sounds o.k.

The new manager stirs his coffee before he answers, and takes a sip. It is too hot. He adds a little more milk, stirs the coffee again, takes a long drink, and only then begins his reply.

The young business manager's decision about whether or not to go along with price fixing raises four questions in management ethics:

1. What problems in business management are moral problems? (The scope of morality)
2. What, morally, ought I do in a particular situation? (Moral standards)
3. Why should I do it? Why is a motive or action morally right (Ethical principles); and
4. How can one educate or enforce compliance with moral standards? (Strategies in management ethics)

Since these are fundamental problems of business management, let's look at them.

## **The Scope of Morality: What problems in business management are moral problems?**

The case example, although not very complex, contains several problems of right and wrong. Some of these moral problems are obvious and some are trivial. Which, however, are really significant?

**Illegality.** The old-timers have been engaged in price collusion for some time. This is illegal; and for that reason alone many would say that price fixing is a moral problem. Others would say that price fixing is a moral issue whether or not it is illegal. Some would say that price agreements are immoral even if allowed by law and encouraged by government.

**Temptation.** We do not know whether or not the new firm manager decides to go along with his competitors' proposal. The simple fact of placing temptation in front of a young man just starting in a new business is in itself a moral issue, many would say.

**Motives.** And, regardless of the decision of the three and what they actually end up *doing*, is the moral problem connected mainly with what each *does* or is the moral problem mainly connected with the *motives* of each? Say, for example, that all would participate in price collusion if they could get away with it; but they fear they would be found out. Does the absence of the act remove the moral problem?

**Honor Among Law Breakers?** If all three managers of the printing establishments do decide to rig the bidding, there are still problems of fairness in how they treat each other. Was it some sense of fair play within their profession, or merely self interest, which caused the old-timers to propose that the new firm get the first contract under the arrangement? No doubt the new manager did need the contract to help get his new business under way. Can there be a sense of justice and fair play—a genuine interest in the good of a new competitor—even among those who break the law? Can there be honor among those who wink at the law as well as among thieves? In any event, there are moral issues—questions of fairness—which do arise as the managers divide up the low bids. They have to decide whether or not the older and larger firms should get the larger pro rata share of low bids. They may sometime have to decide whether the ratio should change if the new firm grows and is more successful.

**Context of the Case.** We know only the facts which are given in this price fixing case. What other factors, if known, might make a difference in our judgments about the scope of these moral problems?

Would the moral situation for the young manager of the new firm be significantly different if both he and the old-timers knew that the

alternative to a gentlemen's agreement might be a price war? Possibly the new manager has more modern machinery, with lower labor costs, and so can in the future bid consistently under the others—not only for the city's business but also for other jobs. Quite possibly this situation would mean that the old firms would have to cut back on employees or even fail or sell out. The effects of firing employees with years of service might be disastrous to their families.

Or consider another situation: the possibility of a price war started by the old-timers. For a number of months—until the young manager would go under financially—the old-timers might be able to cut their bids drastically, even if the low bids would cause them to lose money temporarily. Then when the new firm had gone bankrupt, the old-timers could resume higher bidding again.

Would either of these situations alter the *moral context*? What new moral issues would emerge, and what old moral issues would be seen in a new light?

**Other Moral Issues.** What other moral issues are there connected with this incident? Who all is involved? What are the issues for the City Commission? For the public? What are some very great moral issues which we have not even mentioned?

**Moral Standards: What, morally, ought I (we, other people) do in various types of situations?**

Identifying moral issues is merely the first step in moral and ethical analysis. One purpose of clear thinking in management ethics is to decide what to do.

In the case cited, what should the new manager do? Imagine the following conversation:

**New Manager:** Thanks fellows. I can see where an agreement like this would help all our profits. And I appreciate your willingness to get this first big contract. I need it. But this is price collusion, and let's avoid it.

**Old Timer "A"** (surprised). Why?

**New Manager:** Because we should obey the law.

**Old Timer "A":** But there are so many laws nowadays, and you can't avoid breaking some. Why obey this law?

**New Manager:** Because price collusion is a form of monopoly; and both government and business are against monopoly.

**Old Timer "B":** But why be against monopoly?

**New Manager:** Because monopoly isn't for the best good of all—espec-

ially consumers; and we ought to do the greatest good for the greatest number.

Or imagine another conversation in which the new manager has made his decision in another direction. He is explaining his decision to his wife:

**New Manager:** We agreed to make similar bids, but to rotate the bids fairly.

**Wife:** Why, dear?

**New Manager:** Well — we don't think we should openly flaunt the regulations, but we do have a responsibility to avoid ruinous underbidding.

**Wife:** Why?

**New Manager:** Because we in the business community have a moral responsibility to encourage price stability in the trade and to promote economic security for those now holding jobs.

**Wife:** But why, dear?

**New Manager,** Because we in responsible positions must be loyal to those who depend upon us — to employees, stock owners, and even to competitors in the trade. Also to our own families who depend on us too.

**Wife:** Oh, I see.

Or consider still another conversation in which the new manager takes what some would call an extreme stand:

**New Manager:** I do not think we should agree on prices even if the law should allow us to do so. Nor do I think preference should be given to local firms, nor even to U. S. firms.

**Old Timer:** Why?

**New Manager:** Because we should compete in the free market.

**Old Timer:** Why?

**New Manager:** Because I believe in a truly free enterprise.

**Old Timer:** Why?

**New Manager:** Because we should all do unto others as we would have others do unto us.

**Old Timer:** Why?

All of the above reasons—whether specific moral decisions, moral rules-of-thumb, business or governmental policies, or general moral principles—illustrate *moral standards* which have been used by various businessmen at various times.

The moral standards given in the preceding conversations are summarized in table form. Note that these standards range from very specific rules (at the left) to general moral principles (at the right).

## FOUR KINDS OF MORAL STANDARDS

1. A Specific Moral Decision	2. A Business Firm's Moral Rule-of- Thumb	3. A Moral Policy of the Business Community (or of Government)	4. A General Moral Principle
Avoid illegal price collusion	Obey the law	Discourage monopoly	Do the greatest good for the greatest number
Agree to fix prices, but rotate the bids fairly	Do not openly flaunt the law, but avoid ruinous under-bid- ding	Encourage price sta- bility in the trade, and economic security for those now holding jobs	Be loyal to those who must depend on you ( to employees, owners, and competitors in the trade)
Do not fix prices, even if legal to do so	Compete on the free market	Encourage truly free enterprise	Do unto others as you would have others do unto you

Oftentimes moral standards become *laws*. They may become codified in public law, or become part of unwritten common law, or be written into professional codes of conduct, or become written into a religious tradition (like the Ten Commandments). But not all moral standards are laws or rules imposed from without. Indeed some people of "high moral standards" are quite distrustful of laws, or rules, or rules-of-thumb, or even "principles," whether imposed "from without" or "from within." (We shall consider alternatives to laws and principles later.)

Successful business executives use a variety of moral standards. They must be ready to decide what to do on all kinds of moral issues, even when they lack essential information for the wisest action. They often must make policy decisions when there are no clear guidelines.

So business managers answer the basic management question of: "What, morally, ought we (I) do?" in terms of:

- The technical and social information at hand (the *context* of situations)
- Specific guides of conduct appropriate for specific situation (*moral standards* and moral rules)
- Exceptions* that sometimes must be made to moral rules and moral standards
- Broad *principles of ethics*

A third type of problem in management ethics, ethical principles, is thus closely related to the problem of moral standards. Decisions on moral standards can only be made after people have found (or assumed) some answers to questions of *ethical principles*.

### **Ethical Principles: Why is an action right or a purpose good?**

In the above case of price collusion, why should the managers use one or another of the moral standards which we have considered? For example, say that the manager of the new establishment sets a moral standard for himself of no price collusion with others. He might have several reasons which he would consider adequate for that moral standard. As suggested before, one reason might be simply because price fixing is illegal.

If so, he and we could ask: What makes obeying the law right? Should laws be obeyed because they are made or administered by respected authority? If so, what kinds of authority are worthy of respect? Under what conditions might disobeying the law be right? Why?

We could also ask: Are some criteria for judging moral standards more basic than laws? If so, what are they? A man's conscience? Intuition? One's natural inclinations? God's laws?

What do most businessmen mean by "right"? What is the meaning of "good," "should," "duty," "responsibility"?

Business managers, if they are to think clearly on moral and ethical issues, must reflect on the basic ethical question of "Why are some actions or motives or moral standards preferable?" These managers will not feel satisfied in answering the moral standards question of "What ought we do?" (question two above) until they have asked:

- What are the grounds by which we decide that moral standards, or actions or motives, are right or wrong?
- What makes right right?
- What are the meanings of ethical terms?

Such questions are asked when people think about their ethical



viewpoints. Businessmen have a wide variety of ethical viewpoints, or *ethical perspectives*.

**Questions Which Reveal Ethical Viewpoints.** A businessman can get some idea of his own basic approach to moral problems by noting the questions he is most likely to ask himself when confronted with an ethical decision. For questions a businessman asks himself, or his friends, often reveal his agreement with one or more ethical perspectives. (See below.) Sometimes the question for one perspective may conflict with the question used for another perspective. But it is also possible that different ethical questions are appropriate for different moral situations.

Here are four of the 24 questions propounded later in this Guide:

What pleasures will I receive if I choose one or the other course of action?

What will people think?

What is the ideal situation?

What action will help my economic class?

### **Strategies in Management Ethics: How can one educate or enforce compliance with moral standards?**

Moral conduct is rewarded, and moral misconduct is punished, by the sanctions of: laws and courts, professional ethical codes, unwritten rules of society, laws of nature, religious tradition, and conscience. Sanctions can be either self-imposed or imposed from without. They can be gentle or they can be harsh. They can be weak or they can be powerful.

Business managers should be aware of the problems and possibilities of these various sanctions, and also of positive methods of moral training which make harsh sanctions less necessary.

In the young manager's case, previously discussed, laws are only one way to enforce compliance with moral standards. Many industries have written and unwritten codes of ethics which discourage flagrant price fixing. Public opinion, if informed, may also cause people to obey laws. Thus public opinion may be a sanction. If the new manager decides not to go along with the proposal, it may be out of respect for the law, or fear of the law. His decision may come from his religious beliefs, or from the working of his conscience. The sanctions which influence him may be fear of punishment or hope for some kind of reward.

But sanctions (the enforcement of morals) are only part of the concern of those in any industry. *Moral education* is important, too. As a matter of fact, businessmen have for a long time had positive programs

of management training, both in the schools and in their professional associations, which have been directed toward high standards of professional conduct.

Education without sanctions may be naive and unrealistic; but moral sanctions without education in ethics is of little long-run value.

## **B. SOME METHODS OF ETHICAL INQUIRY**

How does a manager do ethical analysis?

Moral deliberation requires getting at some very basic issues. This involves rigorous thinking. It may take the experienced business manager months and years of self-disciplined reflection to achieve the skills of judgment which are required for mature ethical inquiry.

The experienced business manager must have an open mind—a mind capable of self examination. He must have a willingness to make himself answer embarrassing questions. He must practice detachment. There must be attitudes of consideration for others, and patience not only with others' but also with one's own shortcomings.

### **Case: A MATTER OF JUDGMENT**

#### **EISENHOWER ASKS SOME TOLERANCE ON OFFICIAL GIFTS**

**Says That Taking Presents Is 'Matter of Judgment' and Self-Restraint**

**DETROIT**, Jan. 29—Gen. Dwight D. Eisenhower differed today on two counts with Republican criticism of the Democrats.

The former President, at a news conference here, said he did not "think we should be too ready to throw stones" at

high Government officials who accept gifts while in office . . .

. . . The question of accepting gifts in high office is "a matter of judgment, of self-restraint and the confidence you have in someone's integrity," General Eisenhower emphasized.

He said the "rule of reason" should prevent an official from taking money from someone, or becoming "a kept man."

But he said officials could not adopt a "holier-than-thou" attitude, or draw an arbitrary line on what gifts to accept.<sup>1</sup>

In this case example, General Eisenhower says that moral and ethical decisions are matters of judgment. He was referring, on this occasion, to three problems we have considered so far: (1) to the scope of morality (what problems are moral problems), (2) to moral standards (what, morally, one ought to do in a particular situation), and (3) to ethical principles (why a motive or an action is morally right).

On these, General Eisenhower says, it is a "matter of judgment." In-

<sup>1</sup>New York Times. p. 1. Jan. 30, 1964.

deed it is. But how does one judge? How does one *do* ethical judgments whether one is an ex-president or a business manager?

- Does a manager go out in the store, shop, or plant and make moral or ethical surveys?
- Does he call people in and have conferences?
- Does he make a questionnaire to send to somebody to fill out?
- Does he get his lawyers to find out the law and the company rules, and then have his assistants make a plan to enforce the law of the land or the rules of the firm?
- Does he ask some expert's advice—say a lawyer, his board, a friend, a pastor, an ethics advisory committee?
- Does he get down on his knees and pray, or does he listen to his own conscience?
- Does he develop a code of ethics?
- Does he use the “rule of reason” as Eisenhower said?

All of these methods have been used by some business managers at one time or another. There are also other ways of doing moral and ethical analysis; we have by no means listed them all. Just which method probably depends on the manager's own ethical viewpoints. (We shall criticize some of these methods and viewpoints later on in this Guide.)

In this Guide, we shall emphasize four methods of ethical inquiry—four ways of doing the kind of thinking which managers must do if they are to be expert in ethical analysis. These methods are: (1) appraising particular moral situations, sometimes by case studies or by moral and ethical audits, (2) asking significant questions, (3) dialogue, and (4) defining terms. Selecting moral standards will also be considered.

These methods are, of course, not quite like other methods businessmen use. They are not the same as legal analysis—although some moral rules are similar to laws. The methods are not the same as investment or balance sheet analysis—although ethical analysis may take as much, or more, work. The methods are not identical to those used in solving business games, nor in appraising business case studies—although ethical analysis often involves case studies. The moral and ethical audits are not the same as accounting audits because they do not get at the same kind of problems. Yet they may be just as useful, or in some ways more useful than the usual audits.

## Appraisal of Particular Moral Situations

The problems of managerial ethics are usually quite concrete. For example, should Dwight Eisenhower have accepted an expensive set of golf clubs, or Lyndon Johnson a stereo phonograph, or Barry Goldwater a transistorized TV?

Ethical inquiry, to be relevant, must begin with appraisals of particular moral situations. Ethical theory is needed, but it must be applied to particular situations. It must be applied to: (a) a person who is faced with decisions and must act, (b) particular circumstances, (c) courses of action actually available, (d) consequences of taking the various courses of action, and (e) the moral standards by which motives or consequences are judged.<sup>2</sup>

**Case Studies.** One method of doing ethical inquiry is to describe and analyze some particular case. The careful analysis of a case in one's own business firm can be helpful. Analyses of cases which have been faced by other business managers can be helpful also. This Guide occasionally uses cases for illustration; and actual collections of case studies in managerial or business ethics are cited in the various chapters and in the appendix.

**Moral and Ethical Audits.** If business firms, or the officers of businesses, can be appraised by "moral and ethical audits," the audits themselves can be a method of ethical inquiry. Audits, if available, can help identify moral problems. In doing so they cause managers to think about their *moral standards*. Audits can promote discussion, or *dialogue*. They can help business managers frame codes of ethical conduct, or formulate other statements on moral standards.

Moral and ethical audits, however, never can be designed to give precise directives to managers who might seek easy answers to complex problems. If simple moral audits (or inventories or check lists) could neatly solve moral problems, they would have been invented long ago.

Some businessmen do occasionally take what might be called "audits," although they do not call them that. These businessmen say, "If an action is legal, it is moral." So they hire lawyers to advise on the law. Checks of statutory laws, administrative precedents, and court decisions determine what is legal. Thus the businessman thinks he has an answer to what is "right."

This Guide contains several moral and ethical "audits." However, the audits do not say that what is legal is the same as what is moral. The moral and ethical audits in this Guide are primarily for use by the reader

<sup>2</sup>Smith, John E. "The Moral Situation." *Religious Education*. 58:2:106-113. March-April, 1963.

to stimulate reflection while reading. For this reason, they are written in the personal language of “you,” “yours,” and “what you think.” The audits are addressed to individuals, not to business firms.

However, the moral and ethical audits can also be used by management to reflect on the ethical dilemmas, standards, and perspectives of a firm or industry. To be used that way, the wording would in some cases have to be changed. To be effective the audits must be voluntary; and to be accurate they must be done by persons who know the business well, are fair, and are objective.

A firm’s senior officer might conduct the audits and reflect on them, since professional managers are practiced in the identification of problems. The views of board members might be sought in some cases, or the views of trusted employees or competitors. Alternatively, several in management might check the audits, then compare results. The discussions which would follow would probably be valuable in themselves.

These audits are scattered through the Guide. Some of the audits (inventories or check lists) will require alterations to fit a particular situation. The alterations or answers, if written, might take more space than is available on these forms. The reader should revise the forms on other paper in that case.

These audits are suggestive, not comprehensive. An audit will not fit any one business exactly; no form audit ever can fit all businesses exactly. These audits are not tools for snooping nor for comparing one business with another. These audits are no more accurate than the persons who use them.

### **The Art of Asking Significant Questions**

Ethical analysis involves the art of asking significant questions. We have listed four basic questions of management ethics so far, and later (Chapter 4) we shall list 24 questions which reveal basic ethical perspectives. One of the most significant ethical questions is, “Why?” When asked sincerely and without trying to be tricky, it can apply to any of the above questions.

The history of ethical inquiry over the centuries has been a history of men in moral dialogue, of men asking moral questions significant for their own times. The greatest contributors to ethical theory have been those who have asked moral questions which are significant for people of all centuries. Yet adequate answers for one time may be questionable for another. Thus ethical inquiry is more interested in answerable questions than questionable answers.<sup>3</sup>

<sup>3</sup>See Leys, Wayne A. R. *Ethics for Policy Decisions*. The Art of Asking Deliberative Questions. p. 10. Englewood Cliffs, N. J. Prentice-Hall. 1952.

## **Dialogue as a Method of Ethics**

Ethical inquiry requires both earnest conversation with others and genuine courtesy. Dialogue with others is needed because ethical inquiry requires the encounter of ideas with other ideas; no one has a monopoly on ethical insights. Courtesy is required to insure that genuine dialogue will occur. Courtesy implies a sincere willingness to listen to what another has to say. One of the problems of many managers is that, in their positions of authority, they may be isolated from opportunities to talk frankly with others on issues to which they are morally sensitive. The president of a business, like the president of a nation, may at times be a very lonely person.

Dialogue, however, involves more than talk; indeed, sometimes it does not even require talk. Some exchange of ideas (dialogue) can come through reading and study, including study of the thought of other centuries. Some dialogue can even be with one's self—a form of reflection. Ethical inquiry, or criticism, is a two-voiced approach in which different viewpoints are balanced, opposed, and related.

Ethical inquiry involves, also, a three-staged approach in which "question-answer-synthesis" are terms of expression. Three special types of skills are necessary to solve problems of moral principles: (a) skills of asking significant ethical questions to oneself and to others; (b) skills of thinking, listening, and sorting out the answers; and (c) skills of evaluating the various answers—rejecting some and accepting others. Sometimes the evaluating skill does not provide neat answers, in which case one must postpone (perhaps indefinitely) any attempt to formulate precise or final answers. Indeed, an attempt to find answers may bring out fundamental differences between viewpoints or between people. If that happens, that also is a valid reason for conducting ethical inquiry.

The skills taken together can be called an "on-the-one-hand and on-the-other-hand approach" to ethics. It is an approach in which one is not afraid to use the words "however," "on the contrary," or "at the same time." Such an approach to ethics often requires a "both-and" rather than an "either-or" answer. It is always encouraging, of course, to discover moral and ethical principles about which one has no doubt. But sometimes a meaningful paradox is preferable to a dubious principle.

## **Defining Terms**

Defining terms can be another method of ethical inquiry. The business manager who pauses occasionally to think about what he means when he says that something is "right" or "good" will be better able to select his own moral standards and to understand what others mean when they talk with him.

Most ethical terms used in this Guide are defined as we go along. Indeed Chapter Three is devoted to discussing the meanings of concepts used by business managers such as “love,” “justice,” “liberty,” “freedom,” “social responsibility,” and “compromise.”

Nevertheless clear talk is a continuing responsibility of anyone engaged in ethical inquiry. This often requires defining some terms.

## Selecting Criteria for Moral Standards

### CASE

Three business managers—Jewish, Roman Catholic and Protestant—were confronted with a knotty ethical problem. Each began to explain what he would do. The Jewish businessman stated, “The Torah tells us . . .” The Roman Catholic began, “The Holy Father has stated . . .” And the Protestant replied, “It seems to me . . . !”

Protestants are often kidded about their individualized ethical viewpoints; but many other people also say, “It seems to me . . .” However, few contend that the right is that which merely “seems *to me* to be right!”

It is only necessary to list various criteria by which business managers have judged moral standards to see that basic moral values are quite important both in the selection of moral standards and in the methods of ethics used.

These criteria used by managers have been: (a) public opinion, (b) statute law, (c) common law, (d) religious or other authorities, (e) conscience, (f) intuition, (g) reason, or (h) “doing what comes naturally.” Few business managers have not at one time or another used most of these criteria for making moral decisions.

Each of these criteria has serious deficiencies, most of which will be discussed later. Using one of these criteria, however, does not necessarily rule out using another. For example, reason or conscience may point out the wisdom of observing the dictates of law or public opinion. Immediate decisions sometimes are based upon rules of thumb or habits, while if there is time for longer reflection, other criteria may be used.

# What Management Problems Are Moral Problems?

This chapter considers (a) what things go wrong, morally, in business management, and (b) alleged causes and cures of immorality in business. These two subjects are considered together because a businessman's views on *causes* of immorality make a great deal of difference on what he thinks *are* the moral problems of business.

To talk frankly about moral problems in business is not to imply that the negative outweighs the good in American business life. There is evidence, indeed, that in many sectors of the economy moral standards are rising. Scientific evidence either way, however, is hard to find. The purpose of this part of the Guide is not to blame, whitewash, nor praise. Nor is the purpose here to put morality or immorality into quantity terms.

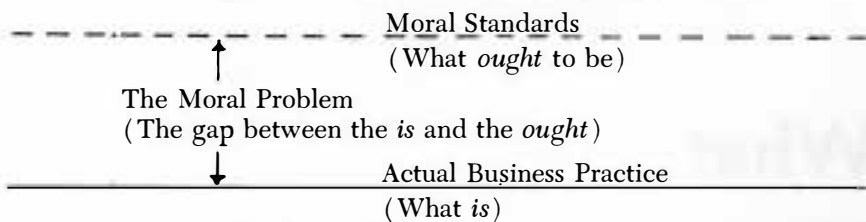


Rather, this part of the Guide seeks to focus attention on what things go wrong, and (when they do) some reasons why things go wrong morally, in business practice. The Guide obviously cannot describe, measure, nor even very well catalogue, the countless types of moral problems which arise in American business practice. (Others have attempted to do that; such studies are referred to later.) This Guide, rather, leaves the job of pinpointing moral problems of particular businesses to the reader, offering two Moral Problems Audits as check lists.

### A. WHAT THINGS GO WRONG, MORALLY, IN BUSINESS MANAGEMENT

A *moral problem* is said to exist in business whenever there is a gap between moral standards and actual business practice. A moral problem is shown by the gap between *the ought* and *the is*.

#### DEFINITION OF A MORAL PROBLEM:



#### Significant vs. Insignificant Moral Problems

Few thoughts or actions of a business executive are without moral significance. However some moral issues are more significant than others. Those who make business policies, whether company officers or board members, should be able to distinguish between: (a) moral problems which are obviously significant, (b) some which are obvious but trivial, and (c) those which are neither obvious nor trivial, but which are nevertheless significant.

**Manners, Morale, and Morals.** Good manners and good morale are often related. Sometimes good manners can help create good morale; and good morale can often help make a favorable climate for good morals. (It's true, of course, that some of the most immoral people have good morale. They enjoy their immorality immensely!)

Consider the following cases, which focus on the scope of morality. Although some of these cases are about gifts, we do not imply that the most important moral problems are necessarily associated with gifts. The audits which follow will suggest a wide range of problems which can be considered as moral problems.

Which of the following cases are significant and which are not? Why?

#### **Manners and Morals: A CASE OF PHEASANTS**

R. L., purchaser for the Q Company, is offered a gift of four dressed and frozen pheasants from a supplier in the Dakota pheasant country. The supplier is a great hunter, had shot and dressed the birds himself, and "wanted to show his thanks for past favors." R. L. politely and appreciatively replied, "Thanks, but our company has a policy that we receive no gifts that cannot be eaten or drunk at one sitting. Thanks, anyhow."

The Dakota pheasant hunter accepted his explanation, but was genuinely disappointed. Those were fine birds, and neither he nor his friends at home needed them. They could go out almost any day and bag their limit of pheasants. He wished his business friend could have accepted his gift.

#### **Manners: A TV CASE**

The staff of a public official, a government employee who is also a successful businessman, chipped together to purchase a surprise Christmas gift for their boss. All told, the 15 staff members raised \$160 for a TV set. The boss gracefully accepted the gift as a token of his staff's friendship.<sup>3a</sup>

#### **Morale and Morals: THE CASE OF A \$2.50 LIMIT**

D., a United States Senator, says that he returns — with a note of thanks — any gift with a value of over \$2.50. He admits that the \$2.50 figure is an arbitrary amount.

#### **Morale and Manners: A CASE OF PRUDENCE?**

Presidential Assistant Sherman Adams had been criticized for accepting gifts. President Dwight Eisenhower told the press what he thought of the gifts:

"... A gift is not necessarily a bribe. One is evil, the other is a tangible expression of friendship... Anyone who knows Sherman Adams has never had any doubt of his personal integrity and honesty... But... in not being sufficiently alert in making certain that the gifts of which he was a recipient could be... misinterpreted... as attempts to influence his political actions... to that extent he was... "imprudent"... Per-

<sup>3a</sup>*New York Times*, Jan. 24, 1964. "An assistant to Senator Goldwater said that 15 members of his staff had contributed to the purchase of a \$160 miniature TV set for Mr. Goldwater last Christmas... Mr. Goldwater declined to call President Johnson's acceptance of the phonograph 'improper.' He said he had accepted less valuable gifts from his own staff members, including a miniature transistorized television set. But the Senator... said of the phonograph issue: 'I don't see any difference in this than in deep freezes, mink coats, vicuna coats, or oriental rugs.'"

sonally, I respect him because of his personal and official integrity. I need him.”<sup>4</sup>

Three months later the President accepted Adams’ resignation.

#### **Manners: THE STEREO CASE**

A case which some would consider trivial under ordinary circumstances may become publicized widely if prominent personalities are involved. Here is President Lyndon Johnson’s explanation at a press conference of the gift of the stereo phonograph:

“We — you are also writing some other stories, I think, about an insurance policy that was written on my life some seven years ago and I am still here. The company in which Mrs. Johnson and my daughters have a majority interest, along with some other stockholders, were somewhat concerned when I had a heart attack in 1955 and in 1957 they purchased insurance on my life made payable to the company.

“And the insurance premiums were never included as a business expense, but they thought that was good business practice in case something happened to me so Mrs. Johnson and the children wouldn’t have to sell their stock on the open market and lose control of the company.

“That insurance was purchased here in Washington and on a portion of the premiums paid Mr. Don Reynolds got a small commission. Mr. George Sampson, the general agent for the Manhattan Insurance Company, handled it and we have paid some \$78,000 in premiums up to date and there is another \$11,800 due next month which the company will probably pay to take care of that insurance.

“There is a question also been raised about a gift of a stereo set that an employe of mine made to me and Mrs. Johnson. That happened some two years later, some five years ago. The Baker family gave us a stereo set. We used it for a period and we had exchanged gifts before. He was an employe of the public and had no business pending before me and was asking for nothing in return anymore than I did when I had presented him with gifts.

“I think that that is about all I know that is going on on the hill, but I hope that covers it rather fully. That is all I have to say about it and all I know about it.”<sup>5</sup>

#### **Manners: A GOLF CASE**

Former President Eisenhower told reporters that officials could not draw an arbitrary line on what gifts to accept. (See Case: “A Matter of Judgment,” p. 9). He indicated that he could see nothing wrong, for instance, in accepting a set of golf clubs.<sup>6</sup>

<sup>4</sup>New York Times, p. E9. Nov. 3, 1963.

<sup>5</sup>New York Times, p. 14. Jan. 24, 1964.

<sup>6</sup>New York Times, p. 1. Jan. 30, 1964.

Some sets of golf clubs can be purchased as low as \$44.08. Cf. Sears, Roebuck, and Co. Catalogue, p. 851. Summer 1964. It is doubtful that presidents receive inexpensive sets, however.

### Morals: A PROPERTY CASE

Restaurant Manager "L" affirms that all men are created equal in the sight of God and is strongly in favor of equal vote for all citizens — Negro and white alike. He is also concerned about the use of business property — "If a restaurant owner only blonde, blue-eyed Norwegians, or only redheads have the right to his privilege." To him the scope of morality is broad and includes all problems of liberty in the use of business property.

### Manners and Morale: A CASE OF SCOTCH

The Q Company started the custom of an annual Christmas party and party as a morale-booster. The company board distributed gifts as such, but at the dinner party the policy of "no Scotch can be eaten or drunk at one sitting" prevailed. At the parties it usually turned out that the amount of Scotch and other liquids drunk at "one sitting" was quite a bit. Some employees reported that as morale increased manners did not.

**Question:** How do you decide whether or not a moral problem is a significant problem? Is an issue significant because it is "large" rather than "small" — or on some other basis? What apparently insignificant issues are nevertheless important? What about personal manners? At the other extreme, are the large national and international problems of social justice what you would call *moral* problems of business? Are there moral problems in international trade?

You may feel that some of the preceding moral problems are significant while others are trivial. Whether you consider them significant or trivial may depend upon your views of why things go wrong morally, to be discussed later. But first let us consider a wider range of alleged moral problems.

### Moral Problems Suggested By Audits

To pinpoint other moral problems, we can make use of Moral Problems Audits, described earlier. The audits which follow list several dozen moral standards which various groups of businessmen have indicated they hold. The reader may or may not agree with all of those standards; and he may wish to change the wording of some. Hence he may or may not agree that some of the problems now listed there are moral problems. Obviously, if an actual business practice (and the motive behind it) is what it ought to be, there is no moral problem.

Note that moral problems in business are not always sensational problems. If a wage or a price is not quite as fair as it should be, that is a moral problem. If someone has an unfair advantage in some other way, that may be a moral problem. The sense of fair play and justice is strong

**Moral Problems Audit I:  
Inventory of Moral Problems Within the Firm**

This inventory, by no means complete, indicates some of the areas that various businessmen have indicated are of moral concern within the firm. You may or may not agree with these standards.

Check those items you believe apply to your business. Ignore those that do not, or revise the wording to make them applicable. With which of the standards would you personally disagree? Why?

In my business, these standards are:

Business Standards	Held and almost always followed	Held but only sometimes followed	Held but almost never followed
1. Equal pay for equal work regardless of sex .....	( )	( )	( )
2. Equal pay for equal work regardless of race .....	( )	( )	( )
3. Fair distribution of earnings among owners, managers, employees .....	( )	( )	( )
4. Stability of earnings for all who serve the firm .....	( )	( )	( )
5. Job security for all who serve the firm .....	( )	( )	( )
6. Freedom from restraints on executives (unreasonable company policies, red tape, and so on) .....	( )	( )	( )
7. Freedom to try out new ideas and exercise initiative .....	( )	( )	( )
8. Accurate and honest business records available to all authorized persons ....	( )	( )	( )
9. Accuracy in labeling and packaging ..	( )	( )	( )
10. Truth in all advertising and sales contacts .....	( )	( )	( )
11. No "fringe" benefits given or received that are disguised as business expenses .....	( )	( )	( )
12. No item of income unreported for purpose of avoiding income taxes .....	( )	( )	( )
13. Other:	( )	( )	( )
14. Other:	( )	( )	( )

in American life; and the sensational issues of call girls, price collusion, padded expense accounts, income tax cheating, and other types of fraud or law breaking are sometimes magnified out of proportion. There are moral problems about less dramatic things. It is a tribute to the American business conscience that small problems of fair play are treated seriously by many business managers.

**Moral Problems Audit II:  
Inventory of Moral Problems Outside the Firm**

Check the items you believe apply to your business. Ignore those that do not, or revise the wording to make them applicable. With which of the standards would you personally disagree? Why?

In my business, these standards are:





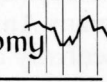
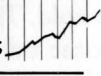




	Held and almost always followed	Held but only sometimes followed	Held but almost never followed
1. No price agreements in restraint of trade, except where authorized by law .....	( )	( )	( )
2. No price agreement in restraint of trade, even if authorized by law .....	( )	( )	( )
3. Free and open competition in all other ways .....	( )	( )	( )
4. No secret kick-backs or payoffs to customers, suppliers, politicians or others .....	( )	( )	( )
5. Compliance with just laws and disobedience of unjust laws only if obeying them would mean disobedience of a higher law .....	( )	( )	( )
6. Refraining from acts, which though legal in themselves, might lead to controls by government or illegal acts by competitors .....	( )	( )	( )
7. Refraining from acts, which though legal in themselves, appear unfair in your own judgment, or in the judgment of others .....	( )	( )	( )
8. Management of business duties such that time and energy are available to fulfill family responsibilities .....	( )	( )	( )
9. Management of duties so time and energy are available to fulfill community responsibilities .....	( )	( )	( )
10. No business entertainment or inducement of customers designed to tempt a customer to be disloyal to his own company .....	( )	( )	( )
11. Other:	( )	( )	( )
12. Other:	( )	( )	( )
13. Other:	( )	( )	( )

## B. CAUSES AND CURES OF IMMORALITY IN BUSINESS

What is it about human nature that causes our practices to fall short of our standards? This next section focuses on six contrasting views of why things go wrong in business morals and concludes by focusing on some problems of self-centeredness in business life.

There are a number of traditional explanations of why things go wrong in business — or anywhere else, for that matter. These views declare that wrong-doing (human cussedness or “sin”) is caused by: (a) breaking rules, (b) ignorance, (c) scarcity, (d) cultural lag, (e) sensuality, or (f) estrangement.

### WHY THINGS GO WRONG

nature	location	cure
breaking rules	laws or customs 	obey or change 
ignorance	mind 	education 
scarcity	the economy 	efficiency or progress 
cultural lag	institutions 	time 
sensuality	body 	bodily self denial 
estrangement	will	uniting the estranged

These views of “Why Things Go Wrong” are, of course, over-simplified. The causes, locations, and cures are over-simplified. These characterizations are, in a sense, caricatures. Yet they are not unsympathetic caricatures. Each position represents a viewpoint held by respected philosophies. Behind each of these views are some of the greatest thinkers in the history of mankind.

### Breaking Rules as an Alleged Cause of Business Immorality

A common explanation of why things go wrong in business morals is that people have broken rules. These rules may be laws of the state,



rules used by a business firm in its internal administration, traditions of the community or nation, customs of the society or century in which one lives, laws of nature, principles of morality or God's commandments. Sin, many people say, is the *breaking of rules*. Mankind through its history has been concerned with making, changing, enforcing, and breaking rules.

The *location* of sin, according to this explanation, is *either in the laws or customs of the society, or in the people who break the laws*.

The *cure* for this type of human problem is *either to obey or to change the rules*. If rules exist in a society and serve as guides to business and civic affairs, then they should be obeyed. If, for some reason, the rules or laws or customs are wrong, they should be changed.

Many business managers have this view of sin. Americans have a strong sense of law and order, and — generally speaking — respect both law and customs. Individual businesses, or our business system, could not last long without laws; and our society itself would deteriorate quickly if it were not held together by respect for both laws and customs. Many American business managers adopt this view of sin, also, because it fits in well with the day-to-day religion and the workaday ethic which they hold. The religion of many Americans, whether Jewish or Christian or some other faith, is essentially a religion of rules. Some call their religion a "principled religion"; others call such a religion "legalistic." ("Principled" is the nice term to use in describing such a faith and "legalistic" is the derogatory way of describing the faith.) Because a man's workaday ethic is so closely tied to his faith, it is not surprising that his view of human nature should be affected by his "religion of rules."

"Religions of rules" have had a long and respected past. Most major faiths of the world have had those within them who have held such a day-to-day religion. For example, Christians or Jews who hold this faith call God a law-giver. Nature, too, may be considered a law-giver. Therefore sin means "breaking rules," particularly the rules of God or nature. Jews or Christians who have this type of faith take seriously the commandments of the Decalogue and other commandments. The Great Commandment of the New Testament is seen as a rule. Both Christians and Jews find numerous instances of rules written down in the Scriptures, or developed in written or unwritten moral codes over the centuries. A religion of rules defines salvation in terms of adherence to rules.

Similarly, an ethic of rules defines the *right* as an act or a motive which is in conformity with accepted rules — say, the laws of the state, the unwritten common law developed over the centuries, the customs of the community, the commandments of God, or the laws of nature.

Although much has been written here about the religious types of

rules, a business manager does not have to be what is commonly called "religious" to have a principled or a legalistic ethic. Nor does the fact that many people in the major religions hold a legalist ethic mean that all in these religions would agree to the legalist's interpretation of their own religion. Indeed, many Christians and Jewish people trace the history of their faiths across the centuries in terms of the swings away from the central tenets of the faith to a legalism and back. The periods in which many turn to legalism, these Christians and Jews say, have been the periods of misunderstanding of the faith. Christianity and Judaism, they insist, are not religions of rules.

To be sure, they agree, Christians or Jews will use rules-of-thumb and certain ethical principles in day-to-day life. But the essence of Christianity and Judaism is something else. Sins may involve breaking rules; but sin itself is not primarily the breaking of rules. Salvation does not come simply from observing rules. Laws or customs are important; but laws or customs may change across the centuries, while the significant truths of faith do not so change.

*What do you think about this explanation of why things go wrong in business morals? What is correct about this explanation? What is wrong about it?*

## **Ignorance as the Culprit**

### **Case: CONFUSED CHURCHMEN**

In an industrial community the people were generally shocked when a few respected officers of a corporation received prison sentences for violation of a federal antitrust statute. Then a clergyman who had formerly resided in the city wrote an article in a widely circulated periodical<sup>7</sup> saying that the churches of the community were "unprepared to assess the ethical issues at stake in violation of federal law."

A resident still living in the community replied to the article saying that the church people had not neglected the issue. However, ". . . the charge of impotence or confusion may well be laid at the door of the churches."

Speaking for himself, he concluded: "For one, I readily confess that I do not know enough to speak the word that shall resolve the moral confusion. Let him who is without confusion speak. We will listen."

A second explanation of why things go wrong in business morals is that of *ignorance*. Ignorance is said to be the cause of human cussedness; and, for many, ignorance is what sin is. (This is said to be the educator's view of sin.)

<sup>7</sup>Gibson, Raymond E. Antitrust and Moral Confusion. *Christian Century*. 78:45:1331-1334. Nov. 8, 1961.

In the experience of all business managers there have been countless happenings which apparently can only be chalked up to ignorance. The results of ignorance have sometimes been disastrous. Not only may ignorance cause breakage or breakdowns, it also may cause depletions of assets, profit losses, and poor public relations. Ignorance can hurt people as well as things.

The *location* of ignorance, then, is said to be *in the minds of people*. Things — machinery, equipment, buildings, stocks and bonds — are not ignorant. People are. Ignorance can be in the minds of employees or of the public.

The *cure* for ignorance, therefore, is *education*. Education may be needed for people at all levels of business life: stockholders, directors, foremen, laborers, clerks, creditors, suppliers, wholesalers, retailers, consumers, competitors, the general public, and management itself. This view assumes that if people only know enough they will be able to solve the problems of human perversity and human fickleness. According to this view, the problem of human sin will be solved because the problem of ignorance will be solved.

*What is correct about this explanation of human cussedness? What is incorrect — even naive — about it?*

### **Scarcity as an Explanation**

Another explanation of what is wrong in human society is the explanation of *scarcity*. (This is said to be the economist's and some businessmen's view of what is wrong.) The *location* of the problem is *the economy and in economic institutions*. The *cure* for scarcity is *in economic efficiency or economic progress*.

To hear many businessmen talk, we would soon conclude that scarcity is, indeed, the main thing wrong with man. People have wants which are unlimited; but the resources to satisfy those wants are limited. Hence anything that makes for inefficiency in business is suspect, whether industrial red tape, governmental bureaucracy, lazy workers, or inadequate industrial organization. When business is inefficient, it is said, this causes consumers to have fewer of the good things of life than they might otherwise have. This is the hard, cruel fact of scarcity.

If the short-run cure for scarcity is business efficiency, the long-run cure is economic progress. As capital is accumulated, as laborers develop added skills, and as managers develop needed know-how, part of the problem of scarcity will be solved through economic progress.

But the basic fact of scarcity will remain; human wants will probab-

ly always exceed the resources to meet them. This, then, is the original and permanent problem (the original sin) of mankind: *scarcity*.

*What do you think of this explanation of why things go wrong in business morals? What is right about it? What facts are left out by this explanation?*

### **Cultural Lag as the Cause**

Another explanation is *cultural lag*. Cultural lag is said to be what is wrong. (Some sociologists and many of the rest of us say this.) By cultural lag we refer to the ways that some parts of society seem to rush ahead and leave other parts behind. For example, we have developed automobiles which go 100 miles an hour; but we have young and old fools as drivers who have not yet developed the skills of driving that fast. We have atom and hydrogen bombs which can blow the planet to bits, yet we have not developed governmental institutions on a world scale to control the bombs.

In business life, we have developed technology to a point where we can serve much wider markets with much better products; but we have not always been able to develop the skills of human relations which are necessary to capture those markets. We have developed industries which can use the untapped labor supplies of the nation; but we have troublesome problems of school drop-outs or of race relations, which keep the people from benefiting from the new industries.

#### **Case: THE UNEMPLOYED WORKER AND THE WELL-FED HORSE**

"If I were a horse you would feed me, but since I am a man, you put me off the payroll and out on the street."

This spontaneous remark was once made by an employee in a food-processing plant that had always had seasonal operations. It had released men and women at slack periods and had, in that day, actually fed and housed the horses used in the business the year round. The outburst of the employee was remembered by an officer of the business. It led to a series of discussions whereby the managers of the plant diversified its activities, operated for longer periods than formerly, and made provisions for employment of persons for a specified number of weeks per year.

The case illustrates cultural lag. We know how to process food and feed the horses, but not how to employ seasonal workers during slack periods.

Therefore, *the location* of our problem is said to be *in our social and economic institutions*. Our institutions have these cultural lags. The cure is to find the *time to catch up*.

On the world scene, the time is 5 minutes to midnight (according to the cover design for the Bulletin of the Atomic Scientists) and at midnight the world may be blown to radioactive bits unless we use the remaining time wisely.

In business life, we mainly need time — it is said — to improve our social and economic institutions so as to overcome cultural lag.

*What do you think of this explanation of why things go wrong in business morals? What is correct about this explanation? What is incorrect — or utterly naive — about it?*

## **Sensuality as a Cause of Human Shortcomings**

### **Case: OFF-THE-JOB MORALS<sup>8</sup>**

You have been given irrefutable evidence that one of your district sales managers has been leading a life that, judged by any standards you know of, can only be described as immoral. His “outside” life appears to have no effect or potential effect on his job. What do you do?

### **Case: THE OVERWEIGHT PLANT MANAGER**

“K”, your office manager is seriously overweight. It worries you; it worries “K”; and it worries his doctor. “K” knows that his weight is interfering with his work; and his doctor is concerned about K’s heart. You are K’s employer and wonder what your moral responsibility may be. You cannot afford to have needless turnover in that job, and you would hate to see his family left without a breadwinner.

Sensuality has been blamed by many business people as a major cause of what is wrong with business and with mankind. Sensuality takes many forms, although some people think only of sex. Eating too much is an example of sensuality. Sleeping or napping too much is another example. Drink or sex can be examples of sensuality. The preceding cases suggest that sensuality can refer to a wide range of problems — major and minor.

If sensuality is the explanation of why things go wrong, then *the location of the trouble is in the body*. And the *cure* for the problem is *bodily self denial*.

There is some truth to this explanation, is there not? (This has been called, somewhat unfairly, the pietist’s view of sin.) Are there not times when the best exercise is that of lifting up your two hands, firmly grasping the edge of the dinner table, then resolutely pushing yourself

<sup>8</sup>This case was discussed, along with other more complex cases, by 14 upper-echelon personnel men at a series of meetings on “On-the-Job Ethics” in 1962. For a report on their discussions, see: Berger, Peter L. “The Human Shape of Personnel Work.” In Hall, Cameron P. (Ed.) *On-the-Job Ethics: A Pioneering Analysis by Men Engaged in Six Major Occupations*. New York. National Council of Churches. 1963.

away — thus denying your body that last luscious 1500 calorie dessert? Are there not times when some type of bodily self denial is the only reasonable thing to do? Certainly excesses of body appetites do cause their share of trouble in business life — whether the trouble be over-long coffee breaks, lost weekends, late nights and tired and inefficient days, distended bellies from too much food, hangovers from too much drink, those awful (in retrospect) office parties, or simply too costly expense accounts. Add to this the inefficiencies which come with those in employee and management ranks who are simply too lazy to ever work at full throttle.

*How adequate is this view of human shortcomings? What is right about it as a basic explanation of why things go wrong in business morals? Is any theory of human cussedness realistic which ignores (on the one hand) or exaggerates (on the other hand) this explanation of human nature?*

### **Estrangement as the Nature of Human Sin**

#### **Case: ESTRANGEMENT ON WEEK DAYS ONLY?**

“Brass knuckles” on the job week days, contrasted with the idealism heard at worship on Sundays, was mentioned as one of the main concerns of a businessman who took part in a long series of discussions of “on-the-job ethics.” He was decidedly conscious of his need for the fellowship of the church on Sundays and for the inspiration of worship. He believed very deeply that to allow barriers to come between him and God, or between him and his fellowmen, was a sin.

But he could not seem to connect these beliefs in a practical way with the ordinary job situations. On the job he felt he must be somewhat aloof and impersonal in his relations with employees; with his competitors he felt he must be somewhat crafty; towards the public he was only a sort of diplomatic maneuverer. This forced him to a sort of “split” or contradictory existence — a reminder of high resolve on Sunday and plain and hard competition with his fellowmen on week days — to which he could not adjust with satisfaction to himself.

The businessman concluded that estrangement is necessary in business, despite what his Sunday religion said about “loving your neighbor.”

Is *estrangement* the basic cause of what is wrong? Do things go wrong because people are estranged from each other?

Psychologists have helped make this word popular. We all know what estrangement means. We all have experienced it. It is the awkward silence between husband and wife when they are not speaking to each other. They don't feel like talking, and they don't want to feel like it.

There is a barrier between them. We also know of misunderstandings that come between employees and managers, or between managers and boards of directors. Something comes between people. It is not just something that comes between people because they are ignorant. Nor does it come simply because someone has broken a rule, nor because of cultural lag or scarcity. It is an estrangement that people create knowingly. Estrangement is caused by egocentricity — a willful egocentricity. It is not just a simple naive self-centeredness; it is willful. It is on purpose. Therefore, it is *located* — if we can picture a place where it is located — *in the will*.

The *cure* for estrangement is more easily prescribed than accomplished. The cure is to do something which brings together those who have been kept apart. The *cure is to unite the estranged*. This requires a changing of the will — and that does not come easily.

Here we have used the language of psychology because the language of psychology is popular today. We can substitute the word *idolatry* for estrangement. Idolatry is a good Old Testament word. It means *misplaced allegiance*. Idolatry means putting oneself in the center of things. Or it means putting something else, which should not be at the center, at the center of things — for example, property, profits, one's business, or free enterprise. A business manager can be idolatrous about a lot of things — he can give ultimate allegiance to things which are not ultimate. A person puts a halo, so to speak, about something which is not worthy of a halo. He gives allegiance to the wrong thing. And, by doing so, he creates barriers between himself and others, or between people.

Human egocentricity, in turn, may cause one to will to be ignorant, to will to give in to body desires, to will to let one part of culture lag, or to will to break laws or be inefficient economically.

*How realistic is this explanation of why things go wrong in business morals? Is a certain amount of aloofness or reserve in business dealings the same as estrangement? What is correct about the estrangement explanation; and what is incorrect — even naive — about it?*

## **To Sum Up**

All of these explanations of human perversity have respectable historic roots in the long history of human thought. We could use the big words and the famous names of philosophy from the time of the Hebrew prophets, Plato, and Aristotle right down to the present. But it is probably not necessary to do that. Businessmen who hold any of these views will find themselves in a long and honorable tradition.

The question remains: how realistic are each of these explanations

of human nature? Which ones of these square most with business life as we know it?

### **C. MISPLACED LOYALTIES IN BUSINESS**

The last-mentioned explanation invites added reflection because most business managers in America say they agree with Jewish or Christian views of human nature. Both of these religions do take seriously the Old Testament view of sin as estrangement.

Some people may, of course, object that just because the two major religions of the United States share a nearly common view on these matters does not mean that their views are right. The fact that many people hesitate to use the word, "sin," may indicate that people have used the term carelessly in the past — possibly in a much too narrow meaning.

The first five views (all but the Old Testament view of "estrangement") place the responsibility for the sin upon someone else other than the person who is alleged to be sinning. One can blame social institutions, rules, scarcity, ignorance, or one's own body desires — but not the self.

For several of these viewpoints, the "cure" for the sin, also, lies outside the self. One either must wait for cultural (institutional) developments, or depend upon education. The pietist's view says that sensuality is responsible for sin. Therefore the individual must be willing to suppress certain bodily desires. But as long as the individual can blame the body in the first place, the "cure" may lie outside of the self's will.

It can reasonably be asked, "How adequate is any explanation of sin which denies that men are free to make changes?"

Of these several explanations of sin, one or more might seem to be more plausible. Which of the above views seem most inclusive, most reasonable, and most plausible? Which seem rather implausible?

### **A Judao-Christian View of Estrangement (Man's Pride or Persistent Egocentricity)**

"Estrangement," as used in the Judao-Christian tradition, is caused by egocentricity or pride. It is declared to be a natural characteristic of all men.

**What "Pride" Means.** The word, "pride," nowadays often is used to mean "that wholesome self respect which one achieves from doing a job well." It is anybody's privilege to use "pride" in that way, of course. But that does not happen to be the historical or Biblical definition, nor is it the first definition given in many dictionaries.

Pride, as we use it here, refers to "centering the universe about the self." Pride may appear to be innocent; nevertheless it is a willful self-centeredness.



The words “rebellion” and “alienation,” as well as “estrangement,” get at the same idea. Pride is that which separates people from people, or man from God. It is more a state of being (a state of being alienated or separated) than a specific naughty act. Just as people become separated from one another in hostility and in mental illness, so does man’s self-centeredness cause alienation.

Pride thus is “sin.” Sin is not simply “doing on Saturday night what you would not want your mother to know you are doing,” nor “doing what you would not want the Internal Revenue Service to know you are doing.” Sin is not merely the specific naughty act. Sin, instead, is that act or thought or situation which causes alienation of people, or of man from his Creator.

**Persistent Egocentricity.** For those who do not like three letter words, a good substitute for the term “sin” is “persistent egocentricity.” The adjective, “persistent,” merely refers to the fact that it seems to be human nature (true of all humans) for people to look at the world from the viewpoint of their own self interests. Man, according to Judao-Christian thought, has two characteristics: (a) his animal-like creatureliness and (b) an ability to transcend his animal limitations in certain ways.

To say that man is *persistently* egocentric, is merely to recognize man’s creature-like tendency to think of himself as the center of all life. Some call this persistent egocentricity “original egocentricity” or “original sin.” The word “original” means only that all men have a basic self-centered characteristic. In other words, no ordinary man ever has been purely altruistic. No man can climb out of his own skin.

Note that this is not necessarily a dismal view of man. (Some people, as we know, do view man dimly. They say that man is so bad that there is no hope.) Other Jews and Christians, however, insist that the persistence of self-centeredness is not the only characteristic of man. Man also has a capacity to stand back, as it were, and look at himself — and to be dissatisfied with himself. Men can want to do things which overcome their estrangements from others.

### **Forms of Self-Centeredness**

According to Jewish and Christian thought, man’s self-centeredness (or pride) may take several forms: pride of power, intellectual pride (pride of reason), and moral pride (self-righteousness).<sup>9</sup>

<sup>9</sup>See Niebuhr, Reinhold. *The Nature and Destiny of Man*. Vol. I. p. 188. New York, Scribners, 1951.

**Pride of Power.** Pride of power is seen in all men whenever anyone imagines that he is secure against all the trials of life — that he is master of his own destiny. We have all known self-proclaimed, “self-made men”; yet we know that such “self-made” men are not their own creators, and that they have received much from other people.

According to Judao-Christian thought, all men tend to make the mistake of thinking they are “self-made.” Most people are anxious about life and try to fool themselves that they have more control over unforeseen difficulties than they really do.

When a business manager begins to feel insecure, the danger of lust for power is greater. If the manager has a position of some power, he will be tempted to grasp for still more power in order to feel more secure.

**Intellectual Pride.** Another form of self-centeredness is intellectual pride, or pride of reason. This is the tendency of people to think more highly of their intellectual achievements than they ought to.

To recognize this is not to disparage human reason. One of the great achievements of modern business leadership is the ability to think rationally on problems which in the past were approached only by guess or by hunch — if at all.

**Self-Righteousness (Moral Pride).** The other common type of inordinate pride is self-righteousness. Business managers, we may assume, have this human frailty no less than other people.



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# Moral Standards in Business

Moral standards can be general or quite specific. Most business managers use both. They use general moral standards like “Do unto others as you would have them do unto you” or “Do the greatest good for the greatest number” or “Do the will of God.”

Then they also have more specific rules of thumb like “Label all packages accurately” or “Give equal pay for equal work, regardless of race or sex.”

In this chapter we look at some general standards for business conduct. These are the standards of “being loving,” “being just,” and “being socially responsible.”

We shall see how these general standards are related to more specific moral standards and specific moral rules of thumb which people hold.

It is usually quite easy to say that one should “be loving,” “be just,” or “act responsibly.” But it is more difficult to translate those general moral guides into specific moral rules.

Just what does it mean to be *loving* in business? Is it not hard enough simply to be *just*, or even to be *fair*? Possibly the best that one can do is to try to be *responsible*. But what does that mean?

We turn first to the ethic of love in business, for the standard of being loving may be the hardest standard of all to follow.

## A. THE STANDARD OF LOVE

The businessman, like the lawyer, the doctor, the farmer, is likely to feel uncomfortable, indeed embarrassed, when he is confronted with the word “love” in connection with the way he earns his livelihood. Yet, if he is seriously interested in examining his ethical role in the world, he can hardly avoid the confrontation. Psychologists tell us that human beings have a remarkable ability to “compartmentalize” — to contain at one and the same time mutually contradictory attitudes or ideas with no apparent awareness of conflict. At church or synagogue, many businessmen agree that love should be a standard by which one’s actions are guided, but on weekdays — particularly in business — it seems hard to use that standard without being overly-sentimental or “soft.” This ability to “compartmentalize” is apparent in connection with “love.” This chapter relates the ethic of love to business.

### Three Qualities of Love

Judao-Christian thought is centered in an ethic of love. Jesus said, in response to a lawyer’s question about the greatest commandment, “‘Love the Lord your God with all your heart, with all your soul, with all your mind.’ That is the greatest commandment. It comes first. The second is like it: ‘Love your neighbor as yourself.’ Everything in the Law and the prophets hangs on these two commandments.”<sup>10</sup>

The Christian love ethic thus seems to be based upon a command, which in itself may seem paradoxical; many people consider that love is something which is voluntarily given—not commanded.

At least three types of problems arise when people consider the significance of a love ethic for a business society: What is meant by “loving?” The Great Commandment does not say. Is love a “desire,” like desire for another, or desire for self-fulfillment, or desire for the highest? Is love “mutual reciprocity”? (Does it involve calculations of rights and responsibilities?) Is love selflessness?

<sup>10</sup>From *New English Bible, New Testament*. Math. 22:37-40. p. 41. The Delegates of the Oxford University Press and the Syndics of the Cambridge University Press. 1961. Reprinted by permission.

**One Word—But Several Meanings.** The English language has only one word, “love,” for several ideas which have different meanings. Sometimes “love” has a romantic meaning, but not always. When we use the word, we may refer to the desire and fulfillment of sexual life, a spirit of good will toward our neighbor, or even the forgiving love of God. Or we may use the word “love” in some other way. Sometimes we use it to say we like something as when we say, “I love a good thick steak.”

There are at least three main qualities of love. In the New Testament Greek they are known as: “eros,” “philia,” and “agape” (pronounced ah-gah-pay). In our language, we know these as (a) desiring love, (b) mutual love, and (c) self-giving love.

Some would call these distinct *types* of love. However, these are qualities which appear to a greater or lesser extent in all situations where love is present.

Love in all its forms is sometimes referred to as “the drive towards the reunion of the separated.” When people are estranged — that is, when they are separated psychologically or spiritually — it is love which brings them together. Jews and Christians have said that when man is estranged from God—when man rebels or sins—it is God’s nature to love man and to reunite man with Him. So it is when people are estranged; love can reunite.

So if one talks about several qualities of love, he does so realizing that these types of love are not distinct. Some qualities of each type of love overlap. Each meaning has a significance to practical problems of business and public policy, however.

**Desiring Love (“Eros”).** “Desire” has been considered by some to be the lowest quality of love. It has been identified with the desire for sensual self-fulfillment. But it need not be limited to that desire.

Desiring love could also be called “self-regarding love” or simply “a wanting to have.” An example of desiring love is the concern that a child has for milk or for affection. He seeks them because he needs them and cannot be a real human being without them. Another example is the self concern which causes people to seek food, warmth, or pleasure. Much of sexual love is a form of self love or “desiring love.” (Our English word “erotic” comes from “eros;” so a new, expensive, but not very sophisticated slick paper sex magazine carries that title.) However even the longing of each human being for beauty and truth and the highest good is a form of “desiring love.”

Desiring love is not the same thing as selfishness. It is simply “wanting to have.” A person can want to have something which, indeed, he

ought to have. On the other hand, he can want to have something in such a demanding way that someone else's rights are taken away. In that case, securing love would be called selfish.

In a nutshell, self love is *the desire of the self to complete the self from the standpoint of the self*. It is the kind of love which causes a person to desire something because of what that something will do for himself.

*In business*, desiring love is shown by the desire for high production, efficient production, and profits. It is the satisfaction, at the end of the day, of standing and looking out over the job, the shop, the plant, or the field and enjoying both the work accomplished and the good feeling which comes back to the businessman because he planned and accomplished his work.

*In public policy*, self love is shown by the desire of various economic groups for higher incomes for themselves, price or income stability for themselves, freedom for themselves, etc.

**Mutual or Reciprocal Love ("Philia").** "Mutuality" and "reciprocity" are terms which are helpful in describing a second quality of love. We speak of "mutual love." This could be called give-and-take love.

An example can be seen in the motives of men on a two-man cross-cut saw. Each pulls the saw alternatively because each knows the other will pull in turn. However, mutual love is not so much a "you-do-something-for-me-because-I'll-do-something-for-you" love as it is a "we-both-need-each-other" type of love.

Mutual love is a calculating type of love. When the husband sleepily mumbles to his wife, "I'll get up and give the baby her bottle now, if you'll get up later when she needs changing," that may show mutual love. *Mutual love counts the costs*. But it can arise from a number of motives: because it is useful, because it brings pleasure, or because one wishes the other's good.

Mutual love is love between equals, or near-equals.

*In family and small business life*, mutual love is shown by the way husbands and wives work as a team, the way retired dads help their sons, or by the ways neighboring businessmen exchange work.

*In economic organizations and public policy*, mutual love is seen when groups of businessmen find it wise to get together to accomplish some business or political objective. For example, new car dealers frequently organize in a city not to reduce competition among them, but to promote their businesses as a whole, or to set standards of operation which benefit themselves as well as the public.

Mutual love need not be selfish. At its best, it is forgiving. A family, a neighborhood, a business association, or a nation tied together by mutual love remains that way not so much because all have a lot of solemn agreements to help each other. Instead they are tied together because they see that each member is imperfect—but forgive one another anyway. Families, neighborhoods, and business associations fall apart if there is too much calculation. So there is a paradox in mutual love: calculated reciprocity is not real reciprocity.

**Self-Giving Love (“Agape”).** A third quality of love may be selflessness. We speak of self-giving love. Other terms are sacrificial love or forgiving love. St. Paul used the word “agape” in his writings—particularly in I Corinthians 13; and some writers have translated the word as “charity,” although the modern word “charity” means something quite different.

One occasionally sees instances where people have loved to the point of real sacrifice. A parent rushes into a busy and dangerous street to snatch his child from danger. Or a hungry prisoner in a concentration camp quietly gives her food to a pregnant mother. When asked why, it might be that neither would want to talk much about it. But, if pressed, the answer might be, “I have received so much, and this was little to give in return.”

*A characteristic of self-giving love, then, is that it is a grateful response to someone else’s earlier love. Such love is indifferent to concern for the self. It is uncalculated and nonprudential, asking nothing in return. It reflects a mood of responsibility rather than a mood of affection.*

*In business, self giving love is sometimes shown by the way colleagues or even competitors will help when some businessman is seriously ill or dies. It is often shown by the relationships of persons with persons.*

*In business policy, it is harder to put a finger on examples of self-giving love, because many business policies are made by groups of people where motives are mixed. Many business firms have, in the past, given sacrificially to civic projects or benevolences even when returns were not expected and giving was anonymous. Other times businessmen have voted for business or tax programs which will cost their firms and hurt their own pocketbooks. These actions too may be examples of self-giving love.*

Businessmen and voters do not act consistently, day-in-and-day-out, from this motive, any more than do other people, but the motive is there and can be seen on occasion.

Even to try to give examples of these various qualities of love is



to show how complex is human motivation, and how unrealistic it would be to assume that such business activity is based on a pure "ethic of self-giving love."

### **Some Problems of "Loving Your Neighbor" in a Complex Economy**

In the past a businessman could know the people with whom he worked. He could respect them, "treat them as persons," and personally know many of those he would love. However today's business is no longer simple, and loving one's neighbor is no longer as simple.

Knowing something about the three qualities of love and the several ethics of love is not too much direct help for solving complex business or public policy problems. Indeed, knowing quite a bit about love will not necessarily make people want to be loving.

However a better understanding of one's own and other people's motivations can be useful. It can make one more realistic in appraising business policies. The following problems arise for anyone who is concerned about loving his neighbor.

**Desiring Love or Mutual Love May Become Selfish.** One problem is that desiring love, and also mutual love, may become selfish. One man's enlightened self interest will not necessarily be in harmony with another man's enlightened self interest. Oftentimes there are only small differences between "enlightened self interest" in business and "calculated shrewdness." Two people, or two groups of people, may work mutually for common objectives, but the common objectives may be to take advantage of a third person or group. All men are self-centered enough to do this. (Some people today say that man is "persistently egocentric;" while orthodox Christians say that man is a sinner.) Whatever the words used, the effects are the same: self and mutual love may become selfish.

**Self-Giving Love May Become Sentimentalized.** Selfless love, although by definition not selfish, may become overly sentimentalized. People may not know a great deal about self-giving love, but still be very sentimental about it. They may feel very strongly about a very vague idea.

When this occurs, two things may happen: (a) either people think self-giving love is so out of this world that it is impractical for common human beings, or (b) they think it can be practiced anywhere, by almost anybody—"if only people will love each other."

Sacrificial love is, indeed, a rare thing. Although the idea of selfless love has appealed to people throughout the history of the world,

few have been selfless consistently. The Hebrew people, after centuries of development, began in the times of the writers of Isaiah to think in terms of a God who was, Himself, sacrificial.

Christianity has been known as a “religion of love.” It is the belief of Christians that Jesus exemplified agape love. In fact, many Christians use the word “grace” to describe this selfless type of love given by God. Grace is “undeserved, even unasked for, love which can never be repaid.”

Some skeptics have pointed to sacrificial love as a guide for action. Bertrand Russell has said, “The root of the matter is a very simple and old-fashioned thing, a thing so simple I am almost ashamed to mention it, for fear of the derisive smile with which wise cynics will greet my words. The thing I mean—please forgive me for mentioning it—is love, Christian love, or compassion. If you feel this you have a motive for existence, a guide in action, a reason for courage, and imperative necessity for intellectual honesty.”<sup>11</sup>

Sacrificial love, if believed in by a businessman or a public leader, probably will never be practiced by him consistently for very long at a time. Sacrificial love is not a simple possibility. It is, indeed, a very unlikely possibility. But the ideal of sacrificial love can serve as a guide for action.

**Motives Are Often Mixed.** That motives are often mixed is seen by the example of “work bees” which in rural America often are given when farmers are ill or have died. Whether the work bee is really motivated by self-giving love or not depends upon the circumstances. Sometimes, the neighbors come because of the desire for fun and good fellowship—a motive of “desiring love.” Sometimes the neighbors think, “Who knows—maybe we’ll need this kind of help some day ourselves.” In this case the motive is “mutual love”—a kind of psychological insurance.

However it may be that the effort never could be paid back. If the neighbors help out of compassion and a feeling that they really have a lot to be thankful for, then one could call this “selfless” or “agape” love. It is a characteristic of both individuals and groups to claim to be more concerned about the needs of others than they really are, of course; and all are morally pretentious some of the time.

But is it not also interesting that many businessmen or statesmen, who on the weekend give sincere devotion to sacrificial love, will also on week days defend some altruistic public policy—not because it is altruistic, but on the grounds of a so-called hard-headed self interest? For example, a businessman engaged in retailing might promote the building of a new area-wide high school not on the basis of the im-

<sup>11</sup>As reported in *Christian Century*, date uncertain.

proved education it would offer the students but rather on the basis of "the money it will bring into the community." It is as if the altruistic action could be defended only if it were based upon self interest.

**Individuals Love, but Can Groups?** Most economic policies are made or approved by groups, and it is usually hard for groups to act sacrificially. A member of a group might wish to act on an impulse of selfless concern for others. But the group may not wish to do so.

An officer of a business organization may be motivated by selfless love, but he may find that he is not authorized to sacrifice the interests of his organization even if he, himself, would just as soon act sacrificially. It is one thing to offer to sacrifice one's own interest; it is another to offer to sacrifice the interests of someone else.

Sometimes, however, groups do act from relatively selfless motives. In fact, sometimes only groups will have the strength to rise above the narrow interests of individual members to take an enlightened long-run view of community, national, or world needs. If their motives are not purely sacrificial and nonprudential, at least enough of the selfless element of agape love has entered the prudential calculations of individual members of the group to enable the group to act in a remarkable selfless manner.

## **B. STANDARDS OF JUSTICE — THE IDEA OF FAIR PLAY**

Some businessmen do not think it reasonable to try to be "loving" in their business life. Others would like to, and have an ideal of being loving but feel that it is actually impossible to be selfless for very long periods. Still others say that one important way to be loving is to be just.

In any event, justice is a moral standard for a large number of businessmen. So it is reasonable for us to ask: What is justice?

To get at the meaning of justice it may be helpful to look at a case example which involves justice in wage rates.

### **Case: MERIT VS. NEED IN WAGE RATES**

There was once a landowner who went out early one morning to hire laborers for his vineyard; and after agreeing to pay them the usual day's wage he sent them off to work. Going out 3 hours later he saw some more men standing idle in the marketplace. "Go and join the others in the vineyard," he said, "and I will pay you a fair wage"; so off they went.

At noon he went out again, and at 3 in the afternoon, and made the same arrangement as before. An hour before sunset he went out and found another group standing there; so he said to them, "Why are you standing about like this all day with nothing to do?" "Because no one

has hired us,” they replied; so he told them, “Go and join the others in the vineyard.”

When evening fell, the owner of the vineyard said to his steward, “Call the laborers and give them their pay, beginning with those who came last and ending with the first.”

Those who had started work an hour before sunset came forward, and were paid the full day’s wage. When it was the turn of the men who had come first, they expected something extra, but were paid the same amount as the others. As they took it, they grumbled at their employer: “These late-comers have done only 1 hour’s work, yet you have put them on a level with us, who have sweated the whole day long in the blazing sun!”

The owner turned to one of them and said, “My friend, I am not being unfair to you. You agreed on the usual wage for the day, did you not? Take your pay and go home. I choose to pay the last man the same as you. Surely I am free to do what I like with my own money. Why be jealous because I am kind?”<sup>12</sup>

### **The Moral Standard of “Giving to Each His Due”**

For most people justice means “giving to each his due.” This simple definition leaves much unsaid, for it does not spell out exactly what a man’s due is. But, for a short definition of justice, it is accurate enough for our purposes.

The sense of justice and fair play is strong in the minds of free men. Educated and uneducated people use the term. Jurors, attorneys, and judges all use it. Candidates for office and voters alike use it. The idea of justice is expressed in many ways in business life. Although refinement in the use of terms may sometimes be desirable, seldom does a person not understand the meaning of another when he refers to justice. St. Thomas Aquinas said “Justice is the perpetual and constant will to render to each one that which is his.”

**Question:** In the above case, what in your opinion was *really due* the laborers who came early to the vineyard? What was *really due* those who came later?

### **Merit vs. Need**

**A Man’s “Due” Is Determined Both by His Merits and by His Needs.** Few business managers contend that a man’s due is determined solely by what he merits. Even in the poorest societies people believe that others should sometimes have more than they merit. All societies say that the young should receive help even before they are productive. Similarly, in most societies the old receive help even though they are

<sup>12</sup>From *New English Bible. New Testament.* Matt. 20:1-15. p. 36-37. See footnote 10.

past their days of productivity. In most societies the handicapped of all ages receive their “due,” even though they may not be very great contributors to the society’s productivity. Even the enemies of the society—the criminals or the captured soldiers — are given their due. To use only a standard of merit, particularly to use only the standard of productivity, would be to deny a man that which is due him simply because he is a man.

**Both the Need and the Merit Criteria Have Limitations.** However, there are economic and administrative limits to the extent to which societies have been able to assist the less productive members. A rich nation with organizational know-how can better afford to care for its undernourished and ill-housed people than can a poor nation. In a rich society, a strict “merit standard of justice” would deny the ideal of brotherhood, while in a poor society great attempts to apply a “need standard” would deny the cruel fact of scarcity.

**Measuring Need or Merit Is Difficult.** Measuring either “need” or “merit” is, of course, difficult. Neither the market mechanism of a free economy nor the political decisions of people through government will provide entirely satisfactory judgments as to what should be a man’s due. A man’s due cannot be determined exactly. How do you put “need” into exact dollar-and-cent terms? And how, for that matter, can you figure “merit” by exact dollars and cents? One cannot find precise answers, either, if one tries to use some combination of the two criteria. Neither the “invisible hand” which is supposed to guide the free market, nor the wisdom of men acting through groups, can provide precise solutions to complex problems of justice.

In business decisions, sometimes it may be more important to be understanding than to be precise.

### **Justice As: (1) Perfect Justice, (2) A Good Habit, and (3) Right Relationships Among Men**

The word *justice* has three major meanings:<sup>13</sup> (1) perfect justice (God’s righteousness), (2) the habit of justice (being the just man), and (3) right relationships among men (social justice).

**Perfect Justice (God’s Justice or Righteousness).** Throughout the history of mankind and in the Bible there has been the idea of perfect justice. People who do not think of themselves as “religious” often hold such a concept too. In the Bible, God is a God of justice and righteousness. God requires his people to be just to other men. But God is more

<sup>13</sup>Gustafson, James. “Justice.” In Halverson, Marvin. (Ed.) *A Handbook of Christian Theology*. p. 191. New York. Meridian. (Living Age Books). 1958.

than just and righteous; he is also merciful and loving. This has often posed a dilemma to men. How can God be loving, merciful and forgiving, and also just? And, even more, how can men be both loving and just?

In business, this dilemma is very great. A business manager may feel that to be just is to give another his due; yet to be loving may require giving another more than his due. How can a business manager do both — particularly if there are still other people involved who have claims on the business earnings (for example, stockholders, other employees, one's own family, etc.)? Is there always this kind of conflict between love and justice? To answer this, it is necessary to look deeper into other types of justice.

**Justice as a Good Habit.** Many think of justice as a good habit. Being a just man means having the constant and steady habit of giving to another his due. The "other" may be an employee; and what is due are the wages promised. Or the "other" may be one's boss; where what is due is the agreed-upon labor. Or the "other" may be one's neighbor, the state, or God. A person has the habit of justice, also, if he gives himself that which is due to himself.

**Right Relationships Among Men (Social Justice).** Many people talk about *social justice*. Social justice means the right relationships of life among men.

Traditionally, the various kinds of social justice have been classified as: (a) corrective justice, (b) distributive justice, (c) legal justice, and (d) contributive justice.<sup>14</sup> Another type of justice is (e) redemptive justice. Let us look at each type and see whether or not all apply to management decisions.

### **Five Criteria of Right Relations Among Men (Five Types of Social Justice)**

**To Each According to What He Had (Exchange or Corrective Justice).** Exchange justice says that a man's due is that which gives him back something equal to what he had previous to the transaction. Exchange justice is sometimes called Corrective Justice or Man-to-Man Justice.

Exchange justice demands that in all contracts (purchase and sale, renting, leasing) the parties treat each other as previously equal. The assumption is not that each party is necessarily equal, but that each be treated as if each were previously equal. Exchange justice uses merit

<sup>14</sup>Dempsey, Bernard W., S. J. *The Functional Economy*, p. 218. Englewood Cliffs, N J. Prentice-Hall. 1958, Attwater, Donald. (Ed.). *A Catholic Dictionary* (Second Ed., Rev.) p. 272. New York. Macmillan. 1949, and Gustafson, *op. cit.*

as a standard. The businessman does not ask, "What does the other person need?" but "How can we deal so that neither of us is worse off, and so that one or both of us is better off than before? Do both the seller and the buyer get back from the deal something which is worth at least as much as we each had before?"

**To Each According to His Contribution to the Community (Distributive Justice).** Like exchange justice (above), distributive justice also uses merit as a standard. But distributive justice takes account of the inequalities of men. It says that the community should give to each person that which is proportionate to the person's contribution to the community.

Distributive justice involves a community-to-man relationship rather than a man-to-man type of relationship. Distributive justice says that the community owes certain things to its members. For example, in our society we generally agree a working man deserves a "living wage," although we may not know an exact formula to find a "living wage." But distributive justice does not necessarily contend that the community owes the same thing to each member. It considers men's inequalities, and thus assumes that there will be differences in what individuals should receive from the community. "For if the persons are not equal they must not have equal shares . . ."—Aristotle.

**The Obligation of Man to the Organized Community (Legal Justice).** Legal justice involves a man-community relationship rather than a man-to-man relationship. Legal justice refers to the obligation of man to the organized community. Usually it refers to the relationship of a citizen to the state. Legal justice is achieved when a man or member of a community gives to others that which is theirs as defined by statute laws, administrative law, court decisions, or common law. Examples would be obligations to sit on juries, to pay taxes, to vote, or to keep sidewalk and alleys clean when that is required by law.

**The Obligation to the Unorganized Community (Contributive Justice).** Contributive justice refers to another type of responsibility of the individual to the community. As with legal justice, this, too, is a man-to-community relationship. However in this case the obligation is not to the organized community (as described under "legal justice). Rather, it is the obligation of a man to an *unorganized*, an *imperfectly organized*, or a *disorganized* community.

Contributive justice would require that a man feel some obligation to render to a community certain obligations whether or not that community is functioning well in an organized way. An example is a community with problems of racial tensions or juvenile delinquency, where there is no private nor governmental organization to handle the prob-

lems. Another case would be a community which is not organized for air or stream pollution control. In those cases the needs of a community may not be expressed by laws. Rather, the individual feels the responsibility to the community even though laws do not require him to show such responsibility.

**Redemptive Justice.** This type of justice would say, “. . . to each according to the measure of his real need, not because legal or economic formulas require it, but because man as a member of the human family is a *man*, or (to use the language of religion) because God loves each person.” Some people interpret the case of the workers in the vineyard (cited earlier) as an example of redemptive justice.

Redemptive justice breaks away almost completely from the idea of merit based *only* upon economic productivity. It does not assume, as does exchange justice, that the vested interests of the parties to a transaction should always be protected or preserved.

Redemptive, or biblical, justice is never *primarily* concerned with devising some method or other for calculating what is a man's “due.” Most of the earlier-mentioned types of justice give primary attention to a careful calculation of rights and duties. Redemptive justice is less prudent. It is less calculating. Prudent calculations may be made, but the focus is as much on another man's rights as it is on one's own rights. One's own duties are emphasized more than the other man's duties.

Redemptive justice is quite a bit like self-giving love, described in the previous section. Much of what can be said about self-giving love (agape) can be said about redemptive justice.

*Some of the toughest questions a business manager may face, ethically, revolve around the dilemmas of being loving versus being just.* Few questions are as important for the business manager who bases his moral and ethical decisions on the heritage of the Judao-Christian tradition.

### **Other Views on Social Justice: Liberty vs. Equality**

The views of social and economic justice given above are views which have developed through the history of the human race, fitted to correspond with some of the language of today. But they do not represent all views of American businessmen on the meaning of justice.

**Justice and Liberty.** Some businessmen emphasize an individualistic definition of justice. For these people, justice is achieved when every man is at liberty to do that which he wills, provided he does not infringe too much upon the freedoms of other men. Such a definition implies that individuals should take the consequences of their acts (thus getting what they deserve, or merit), and that community and governmental attempts to provide “need justice” for citizens should be at a minimum.



**Justice and Equality.** On the other hand, some businessmen emphasize that justice is achieved when the good things of life are enjoyed more equally. Equalitarian criteria are thus used. Although strict equality is seldom advocated, equality of opportunity is usually advocated. Such a view may require more community action, or governmental action, than a view which emphasizes liberty.

Much of the debate on liberty vs. equality is like the debate on “merit” vs. “need,” considered earlier in this chapter. The main issues, which are by no means always clear, are whether people most often receive what they merit or what they need under societies which emphasize liberty or under those societies which emphasize equality.

### **C. FREEDOM AND LIBERTY AS MORAL STANDARDS**

Many management decisions hinge on their effects on the freedoms of business or the freedoms of the public. The moral standards of freedom and liberty are important to many businessmen.

Most businessmen feel they know what freedom and liberty are; yet not all persons agree on what those concepts mean. Abraham Lincoln is reported to have said, with considerable wisdom, that “Sheep and wolves never agree on the definition of freedom.” And it is just as unlikely that every reader will agree with the definitions which will be suggested here. But in order to talk about the businessman and freedom at all, some agreement (temporary, perhaps) must be reached as to the meanings of the terms.

#### **Liberty (Freedom From)**

A convenient way of thinking about liberty is in the sense of “freedom from”—freedom from restraint, from restriction, from confinement, from interference.

Managers of businesses want freedom from too much interference from stockholders or boards of directors, from unreasonable restrictions by government, from employees or their unions who seek to assume the prerogatives of management, from outsiders who would meddle in management decisions, from red tape from any source, and even freedom from colleagues who have other assigned executive roles in management. Business managers also want freedom from their own personal shortcomings, from ignorance which clouds vision, from personal habits which decrease one’s effectiveness, from fears which restrain one from acting boldly or imaginatively, from neuroses or psychoses which paralyze action, or freedom from family or community responsibilities which demand much time.

Not all restraints, of course, are unwelcomed. A train on a railroad track has obvious restraints. It never has freedom from the rails which restrain it. Similarly, mountain climbers, as well as chain gangs, have lines which tie people together and obviously restrain all. Trains, mountain climbers, and chain gangs all lack liberty. They all lack "freedom from."

Liberty, by this definition, is absence of restraint. It is an "outer state" of freedom. Liberty thus has strong political connotations.

### **Freedom To (Opportunity For)**

The other aspect of freedom may be thought of as "freedom to"—freedom to decide, freedom to choose among several alternatives, freedom to act.

A train on a track to Chicago obviously lacks certain liberties — the liberty to go down a highway or even down another track (say to Santa Fe). But it has freedom to go to Chicago. The very restraints to its liberty give it that freedom. Similarly, mountain climbers restrained by the ropes which tie them together have the freedom to accomplish their goal of scaling a peak. A business which incorporates limits its liberties, even as it secures greater freedom and privileges from the state.

Obviously, "freedom to" depends on "freedom from." In business there must be liberty to ascertain and disseminate facts, information, and ideas. For freedom to operate, there must be liberty for discussion and the expression of opinion. There must be liberty to try out new ideas, to take risks, to make profits, and also to take losses.

Freedom to (opportunity for) is a type of freedom which St. Paul talked much about. It has an inner quality, and it is a spiritual achievement which often involves some restraints.

The founding fathers, perhaps more than contemporary politicians, were well aware of the dual aspect of freedom. Their determination to have a completely free press, freedom of religion, freedom of speech, and freedom of assembly, all without external restraint by government, was clearly stated in the Bill of Rights: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble and to petition the Government for a redress of grievances." The Fourteenth Amendment extended the freedoms to the states and provided that "No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny any person within its jurisdiction the equal protection of the laws . . . ."

If freedom were only a matter of constitutional guarantees, there would be little problem for businessmen. If the businessman had complete "freedom from" outside restraints, and complete "freedom to" do as he chose, life would indeed be simple. Unfortunately, as any businessman knows, there are many restrictions placed on his freedom to act. Perhaps the only completely free businessman is one who is all by himself on a deserted island and is engaged in selling coconuts to himself. But the minute a castaway lands on the island, the conditions of liberty change. If the newcomer is to survive, the coconut seller must be willing to give up his freedom to consume all the coconuts on the islands; he must give up some of his liberty so the other fellow can enjoy freedom, also. The coconut seller, unless he is a recluse, would be happy to sacrifice some of his liberty for the companionship of another human. He would, in effect, be paying the price of humanity.

As society becomes more complex, and people crowd together, some freedoms inevitably must give way to other freedoms; a farmer gives up part of his homestead for a super highway, a citizen who has no children pays school taxes, every householder in the city is required to connect his home to the sewage system, although his outhouse might be quite sanitary. In Manhattan, a New Yorker can be fined \$25 for dropping a gum wrapper on Park Avenue. He accepts this limitations on his personal freedom so that all New Yorkers can enjoy the greater freedom of being able to walk through streets which are not ankledeep in the debris of civilization. Yet, a sheepherder in Montana would rightfully believe it was an incredible violation of his personal liberty if he were to be arrested for dropping a gum wrapper in the sage brush near Cut Bank.

Undoubtedly, businessmen have had to sacrifice many of the liberties they enjoyed in the less-complex past. No businessman would consider it either "right" or part of his freedom to flog his bookkeeper for a calculating error. Yet, in the Middle Ages the master had the right to flog the apprentice until his back was bloody. Specific liberties appear to be relative to the time and to the place—the Middle Ages and the Twentieth Century, Park Avenue and Cut Bank, Montana.

Even the constitutionality-guaranteed freedoms of press, speech, religion, and assembly are not absolute. The courts have ruled that freedom of the press does not permit you to libel your enemy, or freedom of speech to slander your neighbor. Even if your religion says you must (and even though you could afford it), the courts have said that you cannot have two wives. Freedom to own property, an important right in our legal system, is subject to the right of eminent domain or loss due to the nonpayment of taxes.

Conflicts among various freedoms in American society are fre-

quent and intense. The Supreme Court decides those involving constitutional questions of freedom; the lesser courts many of the others. Many conflicts of freedom are resolved only after months of free discussion and intense personal argument, which eventually ends up in the form of changes in customs, moral practices, or in new statutes which are enforceable by law. This open conflict of freedoms, protected by the Bill of Rights against censorship or control by government, business, or pressure groups has produced a remarkably stable governmental system in the United States, largely free from the revolutionary pressures of more repressive governments.

The businessman of today is participating in many conflicts of freedom. One conflict, by no means resolved, is the businessman's "freedom to choose his customers" which is in conflict with the Negroes' understandable desire for freedom from discrimination in places of public services on the basis of skin color. As with most conflicts, discussion on this subject is taking place, along with much vituperation, and even some bloodshed. A new consensus or agreement may be reached through legislation or through the courts, and a new balance of freedoms will be established.

As the businessman's traditional liberties come in conflict with the liberties or the freedoms of others, he is likely to feel that he is the one who needs "freedom from"—freedom from social security deductions, unemployment compensation forms, government regulations, and non-cooperative labor leaders. Yet, these conflicts of freedoms have for the most part been settled in the democratic arena. The businessman has indeed sacrificed some freedoms, but in the process he has gained many new ones—freedom, for example, from the violent ups-and-downs of the business cycle, and freedom to plan ahead without the greater insecurities of uncontrolled business cycles. Too, he has found much wider markets in those who have obtained the freedom they sought—freedom from unemployment, sickness, and old age. And, if it is any consolation to the businessman, he is paying the price of Twentieth Century civilization and for the privilege of operating his business in a democracy. At times, however, he may feel like the Montana sheepherder who gets fined \$25 for dropping a gum wrapper on Park Avenue.

#### **D. SOCIAL RESPONSIBILITY AS A MORAL STANDARD**

##### **Case: SOCIAL RESPONSIBILITY IN ADVERTISING**

For the purpose of arranging a new series of ads, a businessman called for a set of copies of ads containing much of previous matter that he had put before the public. He was impressed, after looking over the previous output, that they were very restricted in nature. They tended,

he thought, to be oversimplified, emphasizing and re-emphasizing a few positions, but revealing nothing of the limitations of his product.

He thought to himself: Were these but “half-truths”? And was his purpose only to repeat half-truths? Was his motive to educate or to conceal part of the truth? Just how could he define the slogan of “truth in advertising” with respect to his own product, and to the public image of his enterprise? What would constitute fair methods of persuasion, and what would be manipulation of the minds of his customers?

He asked himself: What should I do if I am to be “socially responsible”?

In business practices, men are held responsible or are deemed responsible. Certain responsibilities are imposed on business managers by their superiors respecting actions the businessmen may not, may, or are required to undertake. Businessmen are charged with, or credited with, responsibilities by other people too — including the government and the public. Thus the moral standard of social responsibility has become a guide for business managers.

Often it is difficult to state precisely what the responsibility is or what issue is at stake. Yet businessmen, like other men, do acknowledge that they should be responsible on various matters to various people.

“Responsibility” indicates the *response* of a person (or a business) to something. This is not quite like “love” or “loyalty” which both signify the *attachment* of a person to something. Responsibility does, however, resemble one type of love, *agape*, which is a response to someone’s earlier love.

For this reason, responsibility is a term which is useful in discussing the public sphere of business morality. We do not often speak of a businessman’s love of employees, consumers, stockholders, the public, or others; nor do we very often speak of his loyalty to these groups.

No doubt love and loyalty do have a place in business; they certainly do if business managers believe in the Christian or Jewish religions, or in certain other major philosophies. But most discussions of business ethics speak of businessmen’s responsibilities and let it go at that.

The businessman who observes that he has many more responsibilities in today’s business world than he did even a few years ago is, of course, quite right. The early-day businessman was considered quite responsible if he merely obeyed the law and paid his debts. Not much more than that was asked of him.

But the businessman today, in the more complex world in which he lives, must not only obey the law and be honest in his transactions with other businessmen, but he must also adjust to the claims of many persons and many groups. He must deal with employees both directly

and through unions; he often has stockholders to consider; frequently his business indirectly supports a whole community. And his responsibility to the consumer, though perhaps less direct than it once was, is still vital if he is to stay in business. More people depend on the modern businessman, and with this dependence comes increased responsibility.

But even if he accepts these added responsibilities, more yet is demanded of the modern businessman. He must be a *man of prudence*, who by second nature acts in accord with his own principles of action. He has "external" sets of laws and rules which guide him in certain decisions (mentioned above); but he must have "internal" habits of action and ethical standards which permit him to make the right decisions when new and difficult situations arise.

From the viewpoint of the ideal, the most responsible businessman is one who keeps in expert balance his internal and his external responsibilities, including the broad responsibilities he has to his community, state, and nation. The businessman who rises to the exercise of "statesmanship" of this kind is truly responsible, although admittedly the assignment is difficult in view of his many conflicting responsibilities. Business freedom and responsibilities, however, are not necessarily opposed; for in the final analysis, it is the man who combines in himself both wisdom and power who is at once truly free and truly responsible.

### **Responsibility To**

Men are responsible to others when they are subject to the control of others. Thus the worker is responsible to his foreman, the foreman to the manager, the manager to the board of directors, and the directors to the stockholders. In addition, businessmen are responsible—more than ever before—to outside agencies such as trade associations, to various government agencies, and to public opinion (which accounts for industry's growing concern for public relations). These multiple responsibilities require a high order of understanding on the part of management.

In corporations, management has been primarily responsible to stockholders rather than to employees. More recently, management has often become responsible—not to stockholders—but to management itself. In some corporations, the responsibility to stockholders frequently is limited to providing enough dividends to keep shareholders happy without dissipating working capital. And for many shareholders this is enough.

Yet the ideology of capitalism quite clearly demands that the ultimate control of a corporation should rest with those who own it, rather than with those who run it. Thus, it would appear that if management is

responsible to the broad framework of capitalism under which it operates, it should make an effort to fulfill its responsibility toward shareholders by keeping them fully informed and by keeping stockholder control actual, rather than merely nominal. Small businesses, with ownership more directly allied with management, have less difficulty fulfilling this responsibility than do large corporations with thousands of shareholders.

Responsibility to the consumer is recognized to some degree by virtually every legitimate business. For in the free enterprise system it is the consumer who "votes" by his purchases as to how well he thinks a product is meeting his needs. How he "votes" is the guide to further production, and ultimately to the success or failure of the business. Businessmen recognize a responsibility to give the consumer what he wants; although many businessmen are not at all sure that certain consumer wants should always be satisfied.

More than in the past, businessmen have responsibilities to their competitors. Businessmen are responsible to competitors in many of the same ways that they are responsible to consumers. For example, a mislabeled product shows lack of responsibility toward both the consumer and competitors. The manufacturer who chooses to mislabel a product is competing on the basis of subterfuge, rather than on the basis of price, service, salesmanship, and quality. Thus the businessman who indulges in unfair trade practices not only shows a lack of responsibility toward his competitors, but also fails in his responsibility to the consumer-producer relationship. Likewise, a producer who unfairly brands his competitor's product as inferior shows a lack of responsibility toward the enterprise system to which he is committed.

Businessmen sometimes feel that they are over-burdened by their responsibilities toward government. They have become income tax collectors, agents for unemployment insurance, and co-partners in a social security enterprise. Yet some regulation by government has become a political fact; and there are legal obligations to be responsible to government which the businessman must acknowledge. As a citizen, of course, the businessman may work for political change.

### **Responsibility For**

In addition to being responsible *to* many persons and groups, the businessman is "responsible *for*." He is responsible for many other persons and groups. He is responsible for the working conditions and the morale of his employees. He is responsible for his own business career, and for his own family. He is responsible for the good name of the company; and for honest dealings with officers and employees. He is

responsible for operating in a profitable manner, and for successfully supplying the needs of the consumer. Like other citizens, he is responsible for the good of the community and the nation. Too, he has religious responsibilities and responsibilities for the moral, as well as the physical, well-being of his employees.

The \$64 question, therefore, is: "How does one make choices when one's responsibilities to (or for) one group conflict with responsibilities to (or for) another group?" The answer has to be in some form of compromise.

### **Compromise**

Compromise is "the art of the possible." More and more it is becoming the art of the businessman, as well as the art of the politician and the statesman. For some, the word "compromise" has meant the abandonment of morality. If that is what compromise means, then few businessmen who are faced with difficult moral responsibilities would approve of compromise.

However, for most people compromise means something else. It means seeking the best moral solution but with the awareness that all solutions are less than perfect.

### **The Guilt from Willful Irresponsibility**

No matter how wisely compromises are made, however, all men sooner or later realize that good choices have not been made. Furthermore, there comes the realization that the human will is weak, and that oftentimes we do not choose to act in responsible ways. The problem is not primarily one of not *knowing* what to do; it is that of not *willing* to do what one ought to do.

Thus arise problems of weakness of will, of guilt, and of how one lives with himself and with others when he has willingly acted irresponsibly. The problem is not so much a problem of ethics, but one of faith. For one's religious faith is something quite different from one's ethics. A man's ethics does depend upon his religious presuppositions. But faith and ethics are different matters.

Ethics considers what is right and good. Religious faith has to do with what a man trusts. What a man trusts, indeed, could be called that man's god. Businessmen have many kinds of gods: money, science, reason, ideals, etc.—as well as the Gods of the various religious faiths.

What, or whom, a businessman trusts ultimately (his god), therefore, is tremendously important to him as he makes difficult choices as to whom and for whom to be responsible.



## Managerial Responsibility Audit I: The Nature of Social Responsibility



audit

Four statements are given below. Which statement best indicates the meaning of “responsibility” as applied to the businessman and his actions?

1. As a businessman, a man is sufficiently responsible if *he obeys the law and meets his obligations.*
2. As a businessman, a manager must not only obey the law and be honest in his transactions with other businessmen; *he must also adjust the claims of the many groups (employees, stockholders, consumers, etc.) who have a sustained and serious interest in the existence and operation of the business firm.*
3. In selecting a “responsible” man for the management of business, it is not enough to pick a man who strictly adheres to law and takes into account the competing demands of labor, stockholders, consumers, and the general public. For above all “the responsible man” is a *man of prudence*, a man who by second nature acts in accord with his own principles of action, can be expected to deal effectively and judiciously with novel situations and unexpected difficulties. For this reason, the promotion of a man to a position of top management should turn on his “internal” habits of action as well as his popularity and uprightness in public life.
4. Only businessmen who rise to the exercise of “statesmanship” are truly responsible. Business freedom and responsibility are not opposed, for in the final analysis, it is the man who combines in himself both wisdom and power who is at once truly free and truly responsible. *Such men alone, who know what is good for the nurture of human nature, are fully qualified to be leaders of business institutions.*

**Managerial Responsibility Audit II:  
How Much Responsibility Do You  
Owe to Business Groups?**



The practical day-to-day ethic of a businessman depends in a large part upon his loyalties, and on his feelings of responsibility. Managers of businesses, like other people, have all sorts of responsibilities to all sorts of groups and persons. Some responsibilities conflict with other responsibilities.

This audit may give you some idea of how you distribute your responsibilities to various groups that depend upon you, and upon whom you depend. Check the point on the line that seems to be about where your loyalties lie. Rephrase or ignore items that seem to you are inapplicable. Add others.

Great Responsi- bility	Some Responsi- bility	Little or no Responsi- bility	Groups Associated with Your Business to Which Responsibility Might Be Owed
_____	_____	_____	Owners (stockholders)
_____	_____	_____	Board members
_____	_____	_____	Company officers
_____	_____	_____	Employees
_____	_____	_____	Customers
_____	_____	_____	Franchise grantors, sup- pliers, subcontractors
_____	_____	_____	Creditors
_____	_____	_____	Competitors
_____	_____	_____	Employee organizations
_____	_____	_____	Other: _____
_____	_____	_____	_____
_____	_____	_____	_____

**Managerial Responsibility  
Audit III:**

**How Much Responsibility to Social,  
Political Groups?**



A person in management is also expected to have various degrees of responsibility to social and political groups to which he belongs, or with which he has relations. Responsibilities, of course, may change with circumstances. However, this audit may give you a general idea of the various degrees of responsibility you give to different political or social groups with which you have relations. Check the point on the line that best indicates about where your responsibilities lie.

Great Responsibility	Moderate Responsibility	Little or No Responsibility	Social or Political Groups to Which Responsibility Is Owed
_____	_____	_____	Businessman's family
_____	_____	_____	Social group
_____	_____	_____	Neighborhood
_____	_____	_____	Civic or service club
_____	_____	_____	Church
_____	_____	_____	Professional group
_____	_____	_____	Political party
_____	_____	_____	Race
_____	_____	_____	State and local government
_____	_____	_____	Federal government
_____	_____	_____	Mixed free enterprise (The "profit and loss system" which includes some economic activity by government)
_____	_____	_____	Other: _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____



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# Major Ethical Perspectives

In the second chapter, we considered *the scope of morality* and the first question of management ethics: “What problems in business are moral problems?” And, in order to identify some moral problems of business, we considered some moral standards which were listed in the Moral Problems Audits. Thus we could not avoid the second problem of *moral standards* (the second *what* question): “What, morally, ought I (we, other people) to do in various types of situations?”

The Moral Problems Audits merely listed several statements of moral standards which some businessmen have agreed upon in the past. We may not have agreed with those standards, ourselves. We may feel that the standards are too vague, too specific, or too superficial.

Then we next considered, in the third chapter, the moral standards of love, justice, freedom, and social responsibility. However, not all business managers will agree that these standards are appropriate for business life. If the reader is to argue that they are appropriate, or if the reader is to argue that they are not appropriate, he will have to be ready to answer questions like, "What are the grounds by which we decide that a moral standard is right or wrong? Why, or why not, should a manager try to be loving or just or socially responsible in business?" Therefore, we must turn to the third problem of management ethics and ask a *why* question: "Why is an action right or a purpose good?" This is the area of *ethical principles*.

Let us look, now, at some workaday ethical viewpoints commonly held by business managers.

### **A. WORKADAY ETHICAL PERSPECTIVES AS SHOWN BY QUESTIONS BUSINESSMEN MIGHT ASK**

When you really know a person, you know not only the stories he is likely to tell but also the questions that he is likely to ask.

*The ethical questions a business manager most frequently asks as he makes moral decisions are keys to that manager's basic ethical viewpoint.* You can understand the ethical views of others and yourself better if you follow three steps of ethical analysis:

1). Your first step is to recognize the actual workaday ethical viewpoints held by your colleagues in management, the members of your board, your employees, your competitors, and your customers.

This requires knowing the key ethical questions which these persons are most likely to use as they make their own moral decisions. (Not always will your colleagues and customers recognize that they are using certain ethical questions. Nor, if it were pointed out to them, might some be able to recognize the significance of the questions.) But you must know the questions if you are to understand other people, and if you are to think clearly on moral problems.

2). Your second step is to think again about the workaday ethical perspectives which you, yourself, use. In your own day-to-day ethical decisions, you also tend to ask one or more key ethical questions. The questions you ask, consciously or unconsciously, reveal some of your basic views of life. You will need to know the basic ethical questions which you ask, if you are to know yourself and if you are to understand others.

3). After that, your next step might well be to ask yourself: (a) how con-

sistent you are, (b) whether or not your day-to-day ethical viewpoints are in harmony with your fundamental convictions, and (c) whether or not some changes in your ethical perspectives would be wise.

### **Pleasure or Happiness as Guides**

Consider the following questions which three managers of three similar business enterprises might ask as they approach moral decisions in their three businesses:

- Manager “A” asks: *What are the alternatives before me, and what pleasures and happiness will I receive if I choose one or the other course of action?*
- Manager “B” asks: *What alternative produces the most pleasure for all?*
- Manager “C” asks: *What alternative produces the greatest good for the greatest number?*

Assume that you, as an outsider, know little else about these business managers. All you could know for sure about them is that each tends to use one or the other of these three questions when he comes to a critical decision on right or wrong.

If these questions mean the way they sound, then you would know that here are three separate ethical perspectives: Manager “A” would say that the right is that which promotes *his own pleasure*. Manager “B” would say that the right is that which promotes *all persons’ pleasures*. Manager “C” would say that the right is that which serves *the greatest good for the greatest number*.

### **Authority as a Guide**

Consider four more questions. (Again four different managers of similar business enterprises each ask a different question as all come to the same type of moral dilemmas.)

- Manager “D” asks: *What will people think?*
- Manager “E” asks: *What does the law say?*
- Manager “F” asks: *What is the custom here?*
- Manager “G” asks: *What do the authorities say is right?*

These four questions are similar, and each reveals something about the basic ethical viewpoint of the person who asks it.

By identifying the questions which Managers “D”, “E”, “F”, and “G” ask, you cannot know everything about the ethical viewpoints of these four managers, of course. We would want to know more. For



example, it would be helpful to know more about the kinds of people whose opinion “D” respects.

If we are to size up the ethic used by “E”, we would want to know more about the law—or the laws—which “E” thinks are important for the decision he is making. Are they local laws, federal laws, or laws of God? What would “E” do if laws conflict with each other?

We would want to know more about the customs which “F” thinks are important; for there are many customs in even the smallest communities and not all are in harmony with each other.

Finally, we would want to know what authorities “G” respects. Are they authorities “G” acknowledges willingly and freely (authorities to whom he gives consent)? Or is it authority externally imposed upon him? Is it the authority of an employer, the State, the Church, God, or what?

### **Ideals as Guides**

There are business managers who, when faced with a decision on morals, ask questions which show that they have a high respect for ideas and for ideals.

—Manager “H” asks: *What is the ideal situation? If it is impossible to attain the ideal, toward what general ideals should our intentions be directed?*

—Manager “I” asks: *Would I be willing to have the purpose behind my action be held by everybody?*

—Manager “K” asks: *Am I treating my employees, customers, and others as “ends” rather than merely as “means” to some end I have?*

Note that the businessmen who ask these questions are not naive idealists. Their heads are not in the clouds; and they probably know, very well, the hard, grubby facts of business life. But they still have a respect for ideas and for ideals.

Manager “H”, if we judge him right, seems to be telling us that we ought to keep our eyes on where we are going. Furthermore, we ought to make sensible choices as to where we want to go and as to business ideals we want to follow.

Manager “I” asks a different kind of question. But he, too, takes ideas seriously. He asks, “Would I be willing to have the *purpose* behind my action be held by everybody?” Note that he does not ask, “Would I want everybody to do *the same thing* as I do?” Manager “I” would probably be the first to recognize that right actions are not necessarily identical actions. He might say, for example, that fair wages are not always identical wages. But he would insist that businessmen

not have double standards. He would say that if he has some purpose behind his actions that he should not object if another manager in a similar circumstance would have the same purpose behind his actions.

For example, many business managers might say that wage negotiations should bring about efficiency. Efficiency, they would contend, is one purpose of negotiations. (A business is efficient when a dollar is spent where it brings in the greatest returns for the dollar. This means that more wages could be paid to workers who bring in greater returns.) However, any manager who would hold the efficiency standard could not, rationally, if he agrees with Manager "I", claim efficiency as a purpose for himself and not allow others to have the same purpose guiding their actions. He would be inconsistent if he were to say, "I'll pay my men according to how efficient they are, but all of the rest of you should pay your men according to what their family needs are." This would be a case of double standard.

Manager "K" asks, "Am I treating my employees, customers and others as 'ends' rather than merely as 'means' to some end I have?" This question is asked by many businessmen, and it is a common workaday ethical viewpoint.

### **Trends as Guides**

—Manager "L" asks: *What are the trends of the times (both the evolutionary trends of nature and of human social organization) so that we can conform to those trends?*

This question, if asked by the business manager, suggests an evolutionary type ethic—the idea that the right motive or right action is that which conforms with evolutionary development. This ethical viewpoint makes the assumption that human institutions are evolving into higher and better forms.

—Manager "M" asks: *How is our decision related to larger trends of human institutions? Of states, nations, and history?*

—Manager "N" asks: *What are the interests of my economic class in this choice?*

Questions of this type are likely to be asked by people who are aware of class interests and of economic processes in the history of mankind.

—Manager "O" asks: *What is the true nature of man, and what do we have to do to develop our true nature?*

This question reveals a type of "self realization ethic." The implication here is that man has a distinctive nature, and that each man has

an obligation to develop himself to his highest form. If he does so, he will be doing the right thing.

### **What One Trusts as a Guide—One's God**

—*What is the will of God? What are God's laws and commandments?*

This is one kind of theological ethic. However, other people who believe in the Judao-Christian God sometimes ask other questions too, such as "What is loving?"

—*When a difficult choice must be made (including a choice which we know may hurt somebody), do we make the choice courageously—or do we try to avoid making our own decision by following others' rules or principles?*

Business managers who ask this type of question often are suspicious of trying to find exact rules or principles to follow. Each moral situation, they contend, is unique; and one cannot rely on the rules and principles which others have used. Nor should one expect to find answers in rules or commandments said to be proclaimed by God.

—*What is the most responsible thing to do? The most just? The most loving?*

These questions are often asked by Jews and Christians. Many modern humanists would ask these questions too. Businessmen who ask these questions feel that seldom are there exact rules or laws or principles to tell them in advance what is the *loving* or the *just* or the *responsible* thing to do in a complex business situation.

They would ask, "What do you really trust, as a businessman? Some rule? Some principle? Some commandment? Or do you trust a forgiving God who wants you to be loving when you have no neat rules to follow?"

—*How loyal should one be?*

Some people think of loyalty to God, in which case this would be a form of theological ethic. But one can have other loyalties: to the nation, to one's race, to a business firm, to one's family.

—*What serves to improve mankind?*

This question is one the humanist businessman is likely to ask. However, some business managers might ask this question because they believe that it is the will of God that mankind's lot be improved. If so, they would really hold a theological ethic because their basic concern is the will of God.

—*What is the will of that person (or object or idea) which I ultimately trust?*

This is the basic question of any ethical perspective. Few persons would think it right to go against that which they ultimately trust — whether it be a person, a principle, an idea, or a god. In fact, one's "god" can be defined as that which one *ultimately* trusts. Some persons trust themselves or "humanity." Others trust the state, or their professional group, or money, or "free enterprise." Any of these objects of trust, if a person ultimately relies upon it, can be called a "god." Thus the right is that which conforms with the will of that which one trusts.

### **Other Questions Businessmen Might Ask**

—*What is the moral problem here? What is the conflict that is causing the trouble? How can we solve the problem or reduce the conflict by use of scientific principles?*

This form of questioning reveals one kind of pragmatic ethics. Many pragmatists say that the right is that which resolves conflicts. Thus society can advance.

—*What are the important motives of people, and have we overlooked any of them in thinking about our dealings with them?*

Sometimes if we can understand people's motives, we can know what "makes them tick" and what makes them think actions are right or wrong. Sometimes others' motives influence our motives and actions.

—*When we say something is "right" or "wrong" are we describing a provable fact, or are we merely satisfying our emotional needs?*

This question reveals that the person asking it really doubts whether moral propositions do have meaning. Rather, he might say that whenever someone says "something is right" or "something is wrong" that the person is expressing merely his own emotions—not meaningful facts.

—*What are the undesirable extremes that we should avoid in this situation?*

The ethical perspective implied by this question is associated with the philosopher, Aristotle. Aristotle's followers talk about a "golden mean" that can be found which will avoid extremes.

(A number of the questions in this section are adapted from Leys, *Ethics for Policy Decisions*, with permission of the author.)

### **B. "FAMILIES" OF ETHICAL VIEWPOINTS**

We have said that the ethical viewpoints businessmen hold can make a difference in the moral decisions they make. Now that we have considered various workaday ethical perspectives in terms of questions

businessmen might ask, let us consider how these fit into one or more “families” of ethical viewpoints:

- Most business managers hold that meaningful discussions about morals are possible*, and that there are some moral standards or values which should be binding on all men because they are universally valid. On the other hand, *a few businessmen deny this*. They contend that there are no basic moral values which are valid for all places, times, persons or circumstances.
- Many businessmen say that right or the good can be determined by observing man's social and biological nature*, and that right or the good must be defined in terms of something else (like happiness or progress). *Others say that right and good can be perceived directly*. “Right” or “good” are not defined by describing something else. Right is simply right; good is simply good.
- Some business managers are concerned about *right motives*, while others are most concerned with *good consequences* of actions.

**Question:** What do these distinctions mean? With which viewpoints would you agree? How, then, would this influence your selection of ethical questions to ask as you approach management decisions?

### **The Right or the Good: Meaningful or Not?**

#### **Case: CULTURAL RELATIVISM VS. ETHICAL RELATIVISM IN PRICE FIXING**

“In the S industry,” Sherman ironically observes, “it is customary to set prices by following a price leader. In the U industries, prices are set by government action. And in the E industry, prices were set by secret meetings in hotel rooms. I say it is all a matter of relativity. What is right in one place or time isn't necessarily right at another time or place.”

Clayton replied, “What you mean, ‘It is *all* a matter of relativity’? I agree that some practices are relative — but not basic business moral standards. We all have observed, of course, that some customs do vary according to times, places, persons, or events. Possibly price fixing is morally right in some industries and not in others. But that does not mean that certain *basic* moral standards are relative.”

“If there are some basic moral standards which are not relative,” countered Sherman, “what are they, and how do you tell when price fixing is moral and when it is not?”

“I'm not sure a person always can tell when price fixing is moral, or when it is immoral,” replied Clayton. “There are difficult technical and legal problems. But, even though practices vary — and maybe even *should* vary — there are two moral standards which are important, and are not — as you say — ‘relative’.”

“And what are they?” challenged Sherman.

“They are efficiency in business and respect for law. Businesses should be run so that consumers get quality goods at low prices without producers or distributors suffering from ruinous price wars. Businesses also should respect the laws. Everything else is relative; but these two standards are the ‘bed rock’ of business morals. If you follow these two guides, you may decide that price leadership is o.k. in some cases. Or governmental price fixing may be o.k. sometimes. Or it may be moral to have informal price agreements, provided they are legal. But efficiency and respect for law are what are basic. They are not ‘relative’.”

“Ah-ha,” countered Sherman, “but what happens when laws say it is illegal to be efficient? Businesses try to operate efficiently and — bingo — the anti-trust boys are breathing down their necks!”

“Then maybe the law should be changed,” replied Clayton.

“But what if you can’t get the law changed — what then?” asked Sherman.

Clayton thought, then shifted his position slightly, “Then I would say you’ve got to make a choice. Which is most basic — to have a country where you and others respect laws or to have efficiency in your business? I would probably decide to obey the law, until I could get it changed. I say that respect for law is the most basic moral standard.”

“But are there not times when there are laws so unjust that they ought to be disobeyed? I say, again, that I think morals are all relative,” argued Sherman.

“No, the *most basic* morals standards are not relative. Particular practices may be. You’ve got to decide what is basic. Even if I were convinced I should break the unjust law — say as a protest — I would still feel I should take the consequences of breaking the law. I respect the law enough that I would willingly take the consequences of breaking it for conscience’s sake. Sometimes respect for a higher law causes one to break a lower law.”

Sherman and Clayton did not come to complete agreement immediately. And possibly it would be a long time before they would agree on any but the most general basic moral standards. But they had faced one issue squarely—that of absolutism and relativism in ethics.

**Absolutism and Relativism in Ethics Defined.** An *absolutistic* ethical perspective hold that basic moral propositions are binding on all men and are universally valid, while a *relativistic* theory says that the basic criteria of right do and should vary according to changing times, places, persons, and events. (Neither “relativistic” nor “absolutistic” are bad words in ethics. They are technical terms.)

**Two Types of Relativism.** *Cultural relativism* is not the same thing as *ethical relativism*. It is one thing to observe, as does any businessman

or man on the street, that men's actual moral customs do indeed vary according to changing times, places, persons, and events. It is quite another thing to assert, as do ethical relativists, that there can be *no basic* moral propositions by which these varying moral practices can be judged.

*Ethical absolutists* might approve of an action under one set of circumstances and disapprove of it under another. (They might, in other words, be cultural relativists.) The absolutist does not think that particular business circumstances are unimportant; for a different circumstance may, indeed, make a difference in what kind of action would be morally right.

But the absolutist in ethics does contend that there are certain basic ethical principles which are universally valid. Such a principle would not have to be "respect for law," the moral standard of Clayton in the case example. It might be some other moral principle which is considered even more basic.

Hence the absolutist might say to another business manager, "The important thing is not whether you do exactly as I do, or not. Rather, the important thing is that you base your decision on some basic moral principle—for example, the spirit of the law, the greatest good for the greatest number, business efficiency, or some other basic test of right or good." Thus one business administrator might follow a particular practice while another administrator in another situation might follow another practice, yet both could be absolutists and might be in agreement on underlying moral principles (or moral absolutes). Each would agree that there are basic ethical principles which can and should guide all people in all cultures and at all times.

The *ethical* relativist observes that moral codes of men differ from time to time and from society to society. (So does the ethical absolutist.) However the ethical relativist maintains there are no underlying universal ethical principles in terms of which these codes themselves can be judged. No code, he says, is any better or worse than any other.

Most people are cultural relativists. Quite a few say they are ethical relativists; and, indeed, their day-to-day actions may confirm that they hold such a workaday ethic. However, most people—if they really reflect on moral issues—will acknowledge that they do use some kind of basic ethical criteria to appraise moral actions. If they do, then those people are ethical absolutists.

**How Views on Ethical Relativism Make a Difference in Business Decisions.** If a business manager believes that there are no moral standards or values which should be binding upon all men (if he is an eth-

ical relativist), then he may contend that the words “right” or “wrong” have little meaning. He will say that “Thou shalt not steal” is not a universal moral standard which should be practiced by all men, at all times, and under all circumstances. Nor will he say that “Thou shalt not murder,” nor any other such proposition, is valid universally. His principal *method* of ethics might be a reluctant shrug of his shoulders.

The ethical relativist might, however, be willing to go along with custom. If so, his methods of moral inquiry would be that of finding out what customs are. He might not necessarily agree that something is right or good just because custom says that it is; but he might be willing to go along with the customs or laws. His methods, in a sense, would be essentially those of a poll taker.

If meaningful discussions about morals are impossible, then business managers will not talk about right and wrong in order to try to arrive at moral “facts” and moral “truths.” Instead, they simply discuss to find what another person’s emotions or feelings are, or what the other person means when he uses words. Thus one has conversation about conversation, or talk about talk.

(This can be a very helpful thing to do occasionally, whether or not one holds the view that meaningful discussions about morals are not possible. The talk about talk does not have to be useless small talk. Some of the most astute managers of business today are those who, in their conversations with others, are sensitive to how others use words. They are sensitive to what others mean when they use words—especially the emotionally charged words that may be used when questions of fairness and of right and wrong are discussed.)

On the other hand business managers who are not ethical relativists will not simply shrug their shoulders or count noses or talk to discover other’s feelings. One ethical method which they might use would be that of a type of reasoning called *deduction*. For if one feels quite certain about some ultimate standard of right or wrong then he may be able to start with that moral standard and deduce what is right in a particular situation.

However, these people who hold that there are some basic moral guides do not necessarily claim that they know all there is to know about what is right or good. They may be quite humble in what they say they know. Furthermore, they may be skeptical about the deductive method in ethics. One can affirm that the right is that which conforms with “the greatest good for the greatest number” without necessarily claiming to know just exactly what the good is. Or a person might think it is important to do the will of God without claiming that he knows what God’s will is, or that he always has a direct pipeline to God.



## Right Is Definable vs. Right Is Not Definable

When you define something, you say that something is something else. For example, happiness is what good is. Or—turn it around—the good is happiness.

One could say “The greatest good of all is to make money.” Or “Making money is *the* good.”

Business managers who contend that *right is definable* say that some things are by nature right or good. Business efficiency is good; self-realization is good; or economic progress is good. Or to be loving is right, or to do God’s will is right.

If what is good or what is right can be determined by observing nature, then the methods of ethics will be much like methods of some of the sciences. Ethics, according to this view, is not an independent science. Therefore the methods of ethics are not independent.

If a business manager decides that the good *is* happiness, then that businessman will use the sciences which he thinks will be helpful in identifying and measuring happiness. If the good is social progress or business progress, the business manager will turn to sociology, economics or engineering to find ways to identify, measure, and analyze progress.

The opposing viewpoint, that *right is not definable* (right is simply right), maintains that no one can say if an act is morally good simply because it increases economic progress or results in more people obeying God’s will or any such thing. This is because good and right are unique and indefinable properties of things and actions. Although a survey may show us that economic progress has increased, the same survey does not necessarily show us that the amount of moral good has increased. Bigger automobile tail fins, or more chrome, are not necessarily proof of better morals in a nation. Good is not the same as—good is not identical with—anything such as happiness or progress or obedience. Good is simply good; right is simply right.

The business manager who believes this will say that one becomes aware of moral truths, *not* by the methods of empirical science alone, but by some direct or unique faculty of human perception called intuition. He will say that the most important thing he can do is to remain alert and open to direct moral insights. He may think that the way people arrive at moral truths by intuition is much the same as the way they arrive at understandings of truths of logic or of mathematics. He may contend that intuition is as much a product of feeling as reason.

Intuition, he will say, is not simply “picking something out of the sky.” To perceive the right directly is not simply to “feel it in one’s

bones." Nor does perceiving it directly mean that some issues may not be very complex, for indeed some moral issues are complex. The truths which come from intuition may be quite specific or very general.

### **Right Motives vs. Good Consequences**

**Right Motives.** Some managers consider that a business decision is right only if the spirit in which the act or decision is performed is right, or if the decision has a correct form or quality. These managers hold a "right motive" ethic.

#### **Case: HIS HEART'S IN THE RIGHT PLACE**

"John's a good man," the sales manager says, "he sometimes bungles; but he is conscientious, and his heart is in the right place."

Right motives, according to this view, are what are important in moral life.

#### **Case: THE LETTER OF THE LAW**

"Allow yourself these deductions," advised the income tax consultant, "The law gives these loopholes; and it is quite alright to follow the law if the law allows it."

#### **Case: THE SPIRIT OF THE LAW**

"It is your decision, of course," advised the income tax consultant, "but neither the Congress nor the Internal Revenue Service expected this loophole to appear. I do not think that taking this deduction would be within the spirit of the law."

Each of the cases illustrates a "right motive" type of ethic. The tax consultant in the "Letter of the Law" case, is pointing out the written form of the law as a guide, and in the "Spirit of the Law" case, he is pointing to intentions of the lawmakers and the law administrators as the guide.

In neither case, has the tax counselor referred to the *consequences* of making the decision one way or the other. He does not discuss consequences to the taxpayer nor consequences to the government.

Ethical perspectives of this "right motive" type hold that right motives or the effort to do the right are more significant than good consequences. An action is right or wrong by its very nature, or principle, or *form*.

Therefore a price or wage decision would be wrong if the motive behind the decision were wrong, regardless of the consequences. But if the motive or form is right, the action would be right, regardless of consequences. The person who holds a "right motive" ethic therefore

can sometimes give more confident answers as to what actions are right than can one who holds a "good consequence" ethic; the consequence of acts are sometimes hard to predict or determine.

**Good Consequences.** Other business managers contend that the moral value of a business decision is determined primarily by the consequences of the decision. They contend that right or wrong can be decided by examining the goodness or badness of the actual or probable consequences of actions. If the consequences are good, the actions have been right; and if the consequences do not bring the maximum good, directly or indirectly, then the actions are wrong.

#### **Case: GOOD CONSEQUENCES**

Said the sales manager about his clerk, "I wouldn't trust Jones with my watch nor my daughter. But he makes the sale and manages to keep the customers happy."

Such a manager might say, "Let's look at the consequences. If things turn out well, that is all that really matters. People may have 'wrong' motives; but if there are good consequences, that is what counts."

The methods of ethics appropriate for a "good consequence ethic," therefore, are those of deciding on what is good and then analyzing whether the means chosen will produce the desired results.

**Both Motives and Consequences.** Some people say that both motives and consequences are significant tests of whether an action is right or wrong. Both are important.

# Strategies in Management Ethics

Thus far in this Guide we have considered three of the four problems of management ethics: (1) the scope of morality, (2) moral standards, and (3) ethical principles.

We turn, now, to the remaining problem of moral sanctions and education. This last area, strictly speaking, is not ethics. But people interested in business ethics cannot avoid considering these matters, nor would they wish to.

Sanctions refer to the ways by which moral conduct is rewarded, or moral misconduct is punished. Rewards and punishments can be by

laws, professional codes, customs, nature's laws, religious tradition, or a man's own conscience.

Some business firms, management associations, and business schools, treat sanctions as the main thing there is to "ethics." When you inquire about their programs in business ethics, they are likely as not to refer you to administrative or educational programs which deal with the problem of how you encourage or enforce moral standards. According to these people, businessmen really know what their moral problems are, and what is right and wrong. The answers to the first three problems of "What are moral problems?"; "What, morally, ought we to do in various types of situations?"; and "Why should we do it?" are, apparently, so well understood that no one doubts the answers.

These firms, management associations, and schools of business may be acting quite realistically. If some industries have, for example, recently experienced widespread price collusion, it may be that now what is needed is not additional reflection on *what* is right or *why* it is right. Possibly the problem is largely that of enforcement. The emergency need is not for education in ethics, but rather for education in principles of law or of administration within the company.

Recently the American Management Association has developed a Business Ethics Advisory Service. While concerned about the *what* and *why* questions of management ethics, much of the activity of that Service in its early months has been in the *how* questions of this part of the Guide: "How do you enforce compliance with moral standards?" and "How can one teach morals and ethics?" Therefore the American Management Association has assembled a large collection of company and industrial ethical codes, for codes are one method of enforcement. The Association has also sponsored seminars on topics like "Preventing and Discovering Fraud."

So we turn to the strategy of using professional management codes. *But note:* One does not talk about codes without considering *moral standards*. And one cannot draw up moral standards without reflecting on *ethical principles*. There is no short cut to avoid the types of questions already raised in this Guide!

## **A. POSSIBILITIES OF PROFESSIONAL BUSINESS MANAGEMENT CODES<sup>15</sup>**

A member of a profession should take compensation only for service that he is convinced is in the public interest. This statement has

<sup>15</sup>This section was adapted from a statement by Benson Y. Landis, Consultant to Research in Ethical Studies, South Dakota State University, and formerly Editor of Research Publications, National Council of Churches.

been declared to sum up the professional ideal. Like all broad generalization, this one invites exception.

"The spirit and method of the craft," writes R. M. MacIver, "still find a home in the professions."<sup>16</sup> Here still prevail the long apprenticeship, the distinctive training, the small-scale unit of employment and the intrinsic—as distinct from the economic—interest alike in the process and product of the work.

H. R. Bowen says "A full-fledged profession is a vocation in which the following conditions exist: (1) pursuit of the vocation demands that practitioners acquire an intellectually based techniques; (2) practitioners assume a relationship of responsibility toward clients; (3) practitioners are organized into responsible associations which set standards for admission to practice and exert control over the actions of their members through codes of ethics."<sup>17</sup>

The ethical standards of the medical profession are probably the oldest. They are traced to the famous and classic statement of the Hippocratic Oath of some 2,500 years ago. The ethical standards of practice of lawyers originated in England in the principles formulated in the INNS of Court of London, which date from the 12th century A. D. The early Colonial lawyers in America retained and transmitted these principles which were formally recodified by bar associations beginning in 1887. The American Bar Association adopted Canons of Ethics in 1908.

Among the clergy, another old profession, the code of all the Roman Catholic priests is defined in Canon Law, and also in the particular rules of orders for those priests who are members. Protestant ministers have only within the past generation begun to formulate specific codes, it having been assumed earlier that the disciplines of certain denominations, custom, and theological education provided guides. The Jewish Rabbis, who serve congregations that are truly congregational, have also within recent decades adopted specific codes.

Newer professions which have formulated codes include those of accounting, architecture, engineering, and teaching. In the early 1920's there was a fairly widespread code-writing movement among groups of businessmen, which drew in part on the experience of the professions. Thus a code of ethics can be said to be a characteristic, even a function, of professional organizations.

<sup>16</sup>MacIver, Robert M., "The Social Significance of Professional Ethics." *Annals of the American Academy of Political and Social Science*. 297:18. January, 1955. A reprint, with some changes, from *Annals*, Vol. 101, May, 1922.

<sup>17</sup>Bowen, Howard R., "Business Management: A Profession?" *Annals of the American Academy of Political and Social Science*. 297:113. January, 1955.

## **Types of Problems Dealt with by Codes of Ethics**

What kinds of problems are dealt with in codes of ethics? Analysis of the contents of codes reveals that they generally include statements upon such matters as the following:

- Competition among members of the profession.
- Conflict among members.
- Relations between practitioners and clients, consumers, or users of the services.
- Relations of practitioners with superiors, or executives.
- Relations of practitioners with sources of supplies needed in the profession.
- Relations between the more general practitioners and the highly developed specialists—acute in several professions.

## **Kinds of Codes**

What kinds of codes are formed in the professions? One simple classification is as follows:

- Codes combining general principles or precepts and specific rules for practice. (Most codes could probably be so described.)
- Codes containing largely particular rules of ethical practice. (Some of the newer professions tend to adopt documents of this type.)
- Codes containing only the more general principles, leaving all matters of application to the individual's interpretation and conscience; or, in a few professions, permitting a committee or other group to advise with respect to applications based on a set of facts.

## **Professional Organizations**

Professional organizations are also of three general types:

- 1) A highly integrated organization with frequent contacts between members, and with development of methods of education, control, and enforcement. The bar associations, for example, may be considered in this group. They have means of disciplining members by recommendations of the association.
- 2) A less integrated organization, but one which carries on education with respect to its code and endeavors to make it a living document.
- 3) An organization which has formulated a code and done practically nothing in addition.

Professional organizations, like others, are constantly changing. In some there is a high degree of discussion about proposed revisions of codes. This ferment of discussion is itself evidence of the vitality of certain of the codes.

### **Advantages of Codes of Ethics**

What are the advantages of codes of ethics? This question has to some extent been implicitly answered in the preceding paragraphs. More explicitly it may be said of codes of ethics in the professions:

- 1) Codes may formulate the mature experience of a profession and the traditions that are recognized.
- 2) Codes may provide a balancing of public interest and private interest; or the general good and protection of the profession.
- 3) Codes may offer guidance to young persons entering the profession.
- 4) Codes may furnish a focus of the interests of members which may become subjects of fruitful discussion; this may take the form of questioning the validity of the accepted code.
- 5) In certain instances, codes provide the bases of disciplinary action against offenders, or the ways and means of reconciling offending members with the standards of the profession.

### **B. LIMITATIONS OF CODES OF ETHICS**

Obviously, codes have definite limitations. A code is not the only way to formulate ethical standards of practice. One may note the following limitations:

- 1) Some codes are written and adopted, only to be ignored or forgotten.
- 2) Some codes are formulations only of a vague idealism, with no practical application.
- 3) Some codes are adopted and then seldom discussed, thus indicating that they are not significant aspects of professional organization.
- 4) Some codes deal with old situations and not with the new, thus ignoring the effects of rapid change.
- 5) Thus some codes are used to resist changes that portions of the members may deem necessary.
- 6) Some codes are regarded as so authoritative that they prevent discussion by members who fear discipline for dissenters.



# Key Concepts in Ethics

Following is an alphabetical list of concepts in ethics to which the reader may want to refer to supplement concepts appearing in the Guide.

**Authority.** Authority is the right to settle issues, determine truth, or control persons. If this right is claimed, but not agreed to by those over whom it is asserted, it is then power rather than authority. If it is asserted by force it is always in danger of being overthrown. Authority implies consent and ceases when consent ceases.

As a “theory of knowledge [it] . . . maintains that the truth of any proposition is determined by . . . its having been asserted by a

certain esteemed individual or group of individuals.”<sup>1</sup> It may exist in all walks of life, when persons of knowledge or skill or wisdom are accorded authority in their field by others.<sup>2</sup>

**Casuistry.** Casuistry is the application of rules and precedents to particular moral or legal problems.

**Compromise.** For some, the word “compromise” means the abandonment of morality. Defined as such, most people would be against compromise.

For others, compromise means seeking the best moral solution “but with the awareness that all solutions are less than perfect.”<sup>3</sup>

**Community.** Community implies more than mere geographical co-existence; it implies relationships of various kinds. Man is a social being. He is part of many communities—some geographical, more cultural. A geographical community may have several cultural communities within it—or partly within it and partly beyond it.

**Dialectic.** The approach to truth through discussion. The resolution by logic and reason of complex factors, in order to come to a conclusion which does justice to the various factors involved. Clear and precise thinking.

**Dialogue.** Dialogue can be a method of ethical inquiry. It involves more than talk; indeed sometimes it does not even require talk. Exchange of ideas (dialogue) can come through reading and study, including study of the thought of other centuries.

**Doctrine-Dogma.** Doctrine is that which is held or taught. Dogma usually means doctrine which is prescribed by authority and of a sort not open to question. However many use doctrine and dogma interchangeably—using either meaning.

**Equality.** Ever since Aristotle, men have recognized the close connection of justice and equality, and if the first precept of justice is to “render to each his due,” the second is “treat equals equally and unequals unequally in proportion to their inequality.”<sup>4</sup>

Justice involves equal punishments for the same offenses under the same circumstances and equal rewards for the same merits under

<sup>1</sup>Benjamin, A. C. In Runes, Dagobert. (Ed.) *Dictionary of Philosophy*. p. 29. New York Philosophical Library, 1942.

<sup>2</sup>De Grazie, Sabastian. “What Authority Is Not.” *American Political Science Review*. 53:2:321-331. June 1959.

<sup>3</sup>Spurrier, William A. *Ethics and Business*. p. 160-161. New York. Scribners. 1962.

<sup>4</sup>Adler, Mortimer J. *Great Ideas from the Great Books*. Chap. on “Justice.” New York. Washington Square Press. 1961.

the same circumstances. In this respect, equality has become an ideal and a possibility in different senses:

(a) equal suffrage has been used to secure political equality, as equal opportunity to participate in the determination of common actions and policies;

(b) equal constitutional rights have been instituted to secure civil equality, as power to participate in group life according to choice;

(c) equal incomes and graduated taxes have been sought or instituted as devices to secure economic equality, or the equal opportunity to provide for basic needs and for possibilities of improving oneself and one's family; and

(d) restrictions on discriminatory actions and policies have been sought or instituted to secure social equality, in the negative sense of the lack of discriminatory treatment.<sup>5</sup>

**Ethics.** Ethics is often called "moral philosophy" as the philosophical study undertaken in order to improve actions. It is not the same thing as morality. Ethics is the field of study, and morality is what is studied.

As a discipline or a branch of knowledge, ethics is sometimes divided into "meta-ethics," and "ethics proper." Meta-ethics concerns logical and semantic problems of ethical or moral statements and arguments. Ethics proper or normative ethics, deals with the norms of human conduct, both with respect to their foundation in principles ("basic ethics") and with respect to their application in circumstances of actions ("applied ethics").

Some writers add "descriptive ethics" to denote social-scientific studies of morality.

**Ethical Inquiry.** The term "inquiry" is closely related to such terms as "asking," "question," and "interrogate." As scientific investigation, inquiry involves the putting and resolution of questions in a formal and systematic examination of a subject matter.

In ethics, inquiry is the systematic examination of human disposition and action, of moral criteria and circumstances of action, with a view to improving life rather than simply understanding it. It is "practical," as opposed to "theoretic," since the end by which it is defined is one of acting rather than one of knowing. But it is "actional,"

<sup>5</sup>McKeon, Richard. *The Topography of the "Middle Region," and the Natural History of Equality*, "Aspects of Human Equality," p. 390 (Lyman Bryson, Ed. New York. Conference on Science, Philosophy and Religion. 1957.)

as opposed to “productive,” since the end is an action or an improved life rather than a product apart from the actor and his activity.<sup>6</sup> (See also the chapter on “The Problem and Methods of Management Ethics.”)

**Freedom-Liberty.** Liberty is the outward state: absence of restraint. Freedom is more often the inner quality of being a distinct self, capable of a degree of self-determination.

Liberty is freedom from tyranny and oppression. Freedom is an ability—an achievement of the spirit. Freedom for, not just freedom from . . .

“Freedom for” depends somewhat on liberty. There must be liberty to ascertain and disseminate facts, information, ideas. For freedom to operate, there must be liberty for discussion and the expression of opinion. But these liberties do not guarantee freedom; freedom requires something of the inner spirit.

Liberty is a political achievement, depending upon and enabling freedom of the spirit. Freedom of the spirit is not an absolute, but an achievement which may be won by paying attention to all human limitations, yet taking advantage of the margin open to man within which he may grow and develop the power of selfhood. (See also the section on “Freedom and Liberty as Moral Standards.”)

**Good.** “Good” is what is sought, and “the chief good” is that for the sake of which all else is sought and that which is sufficient in itself. Such a chief good Aristotle found to be identical with happiness, and to be defined basically by reference to the proper functioning of men in view of his nature as a rational animal and his circumstances as a political animal.

In one sense, “the moral good” is what one acquires, that is, a good character, which results from doing good acts. But in another sense “the morally good” is the good activity itself.

**Ideology.** Originally ideology seems to have meant simply a body or structure of ideas. It has lately come to mean the doctrine of a group or movement held almost unconsciously, and not open to re-examination or revision, the unwillingness to re-examine being either defended or covered up. In this way it may be a rationalization of decisions taken from emotion or self-interest. However, a group may be aware of its assumptions and be willing to have them examined, and yet call its structure of ideas its ideology.

<sup>6</sup>Aristotle. *Nicomachean Ethics*. I, 1; VI, 2.

**Justice.** A term implying fair treatment, fair opportunity. It is what men have a right to expect of each other and of the social order. It involves both a sense for, and motive of, fairness and the actual obtaining of it—though this is never complete, but may be more or less complete.

Justice is not so much the spontaneous giving of right through love,<sup>7</sup> as the establishment of conditions for working out “. . . a tolerable harmony between the conflicting claims of groups.”<sup>8</sup> Both the idea and the practice require continual adjustment as conditions change.<sup>9</sup> (See also the section on “Standards and Justice—The Idea of Fair Play.”)

**Love.** Varies from liking, friendship, through desiring (from “erotic” to longing of the soul toward the world of ideas or God as in Plato) to the New Testament conception of *agape*. This latter “is selfless, serving, and helping love.”<sup>10</sup>—not dependent on anything likeable in the person loved, but compassionately recognizing his need and moving to meet it.

Far from being sentimental, “agape has teeth in it.”<sup>11</sup> “God is not merely tender, sympathetic, velvety. In God’s love there is an ultimate center and core of rock on which every opposition is smashed to atoms.”<sup>12</sup> In determining to help the helpless, to open the way for transformation of the sordid, agape recognizes the evil in those who oppress and pervert and is set sternly against it. (See also section on “The Standard of Love.”)

**Love-Justice.** The primary obligation of men toward each other is love. But love is a direct, personal relationship. Not all of our contacts with one another can be of that kind, and some provision must be made in the social order when human persons fail in loving. Therefore justice becomes an aim for our laws and institutions.

Institutions and laws usually fail to bring complete justice, achieving only approximate justice. However, this is better than anarchy, or leaving people at the mercy of their neighbors. Justice is also to be distinguished from love in that it usually has the force of the community or state behind it.

<sup>7</sup>Justice is “. . . love operating at a distance . . .” See Miller, Alexander. *The Renewal of Man*. New York. Doubleday. 1955.

See also Brunner, Emil. *The Divine Imperative*. New York. Westminster, 1947.

<sup>8</sup>Hordern, Wm. *A Layman’s Guide to Protestant Theology*. pp. 157-8. New York. Macmillan. 1957.

<sup>9</sup>Mumford, Lewis. *The Transformations of Man*. p. 212. New York. Harper. 1956.

<sup>10</sup>Nygren, Anders. “Eros and Agape.” In Halverson, *op. cit.* pp. 96-101.

<sup>11</sup>Cherbonnier, E. La B. *Hardness of Heart*. p. 117. New York. Doubleday. 1955.

<sup>12</sup>An unnamed English theologian, quoted by Cherbonnier, *ibid.*

Love must, however, seek to be a corrective of the inequalities and failures of justice. Justice is necessary because of the failure of love, and love is necessary because of the failure of justice.

Justice involves the attempt at a tolerable harmony between the conflicting claims of groups.<sup>13</sup>

**Progress.** A term which ought to mean improvement, but sometimes is used to mean just more of something, or a bigger something. It is a qualitative term that easily slips into use as merely a quantitative term. Individuals may progress or deteriorate in physical, social, or moral aspects. Societies may progress or deteriorate in one or more aspects, with some qualitative improvements and some deterioration going on at the same time. There has been much discussion on whether social orders follow an inevitable sequence of growth and decay. The concept of evolution, when introduced into the social realm, gave birth to the idea of a somewhat inevitable progress "upward." This has more recently been seriously questioned.

In using the term, it is important to indicate what kind of progress one means—whether technical, moral, social, or whatever—and not to confuse it with mere change or increase in amount or numbers.

**Morals, Morality.** The term morality is sometimes used interchangeably with "ethics"; but in this Guide it is used to designate the conduct, codes, customs, attitudes, and judgments of men and not theoretic inquiry. Ethics is the field of study; morality is what is studied. Morality is the feature of men and actions in virtue of which we refer to human activities as right or wrong or to human beings as good or bad.

The "moral" may be opposed to either "immoral" or "nonmoral." We speak of activities as immoral if they are wrong, by reason of consequences or motives; but we speak of activities as nonmoral if they have no moral significance.

**Responsibility.** The concept responsibility indicates "the responsiveness of a person to something," and in consequence may be distinguished from such terms as "love" or "loyalty," which signify the attachment of a person to something. For this reason "responsibility" is a term apt for use in discussing the public sphere of morality, in which consequences of men's activities bear significantly upon the interests and well-being of others.

Two basic questions can be posed as an aid to specifying human

<sup>13</sup>Gustafson, James. "Justice," In Halverson, *op. cit.*; pp. 191-3; and Mumford, Lewis. *The Condition of Man*. p. 62. New York. Harcourt-Brace. 1944.

responsibilities: one may ask about that “to which” men are responsible, and one may inquire about that “for which” men are responsible.<sup>14</sup> (See also section on “Social Responsibility As A Moral Standard.”)

**Right.** In one sense, “right” means “morally good,” as when we say that an action is right. Such an action is one in accord with a standard identifying what is morally good in that set of circumstances.

In another sense, “right” means a “power” that men possess, as when we say that a man may be deprived of his rights or that the Constitution includes a set of basic civil rights.

**Self-Interest.** The pursuit of self-interest is usually taken as a natural right. A problem arises, however, because the interests of different selves soon conflict. It is considered to be expedient to modify it to “enlightened self-interest.” This is a sort of give-and-take proposition, that I will consider your self-interest and modify my own to that end, if you will do the same for me; or that I will forego some of my interests in favor of others, if you will do the same for me. Or it may have reference purely to the fact that we have so many interests, and cannot possibly pursue all of them, so we will pursue only the nobler ones, or the ones we want the most. Certainly the “nobler” ones are less in conflict than the “baser” sort.

Most religions of the “higher” kind believe that the self is best served when it is delivered from self-interest, particularly that of the “crasser” type; that the person is happiest, and reaches the greatest fulfillment, who gives himself to the serving of others; that the self is most at ease, and achieving the finest selfhood, which has forgotten itself in concern for others. Estimates on the degree to which this kind of fulfillment is possible will vary.

The crucial test comes when the service of others requires the prolonged sacrificing of normal human activities, or even of life. Under some philosophies of self-interest, this would be absurd. Under the philosophy of serving others, it might well be approved under certain circumstances and motives. Indeed, it is lauded in deeds of heroism, as when one dies in an effort to save a child or weaker person. In the context of national wars, sacrifice of self for others is encouraged. The trouble is that this usually happens in the course of taking (or trying to take) the lives of the “enemy.” This is usually justified on the ground that lives in one’s own nation are thereby being saved. The nature of modern weapons has thrown this into question; and there are those who uphold the *giving* of life for the protection of others, but not the *taking* of life.

<sup>14</sup>McKeon, Richard. “The Ethics of International Influence.” *Ethics*. 70:3. April, 1960.

There might be agreement that you cannot solve the problem of self-interest by abolishing the self; that parenthood, social living, and opportunities for future generations inevitably involve the sacrifice or postponement of certain interests of the self; that many persons do actually find higher fulfillment in devoting themselves primarily to the service of others who are living, or who may yet live.

The question of which interests are highest, and the relative ranking of all interests, remains. For some, life itself is the highest; for others, mere life is not the highest, and would be sacrificed for certain values. Most people who might be willing to sacrifice themselves for others would at least want to believe that their sacrifice was not in vain.

**Sin.** Sin is a word which has been in and out of favor from time to time, but the basic problem in human nature to which it refers remains: that man is a creature capable of delayed response — of choice — and that sometimes he chooses in a way to thwart his own good and that of others.

If sin is defined as choice contrary to the good, it involves an idea of the highest good, or God. The nature of sin is therefore determined by one's conception of human nature, and one's conception of God. To say that "sin is any want of conformity to, or transgression of the will of God" does not say much until you define what the will of God is.

If the will of God is that men follow a certain set of rules, then sin would be the breaking of those rules. If the will of God is love, then sin is any violation of that kind of love. It would therefore involve not only the outward deed, but the inner motive. But, involving the inner motive, it would also involve responsibility for the outer deed.

Sin thus involves a conception of the ultimate good, and of men's responsibility in relation to it. If man has no personal ability to choose, or to pledge himself in the way of growing into ability to choose, then he has no sin. But few men want to disclaim all responsibility for their own actions — for then they could not hold others to account for their actions! Those who do not want to be held to account for following their own whims and "lower" desires, are hardly in a position to ask that others be held accountable for following theirs.

A conception of sin always involves some notion of what can be done about it. Probably in this aspect are to be found the chief objections to the term itself. If sin is want of conformity to or transgression of the will of a tyrannical, preposterous, unknowable, or whimsical god, the term will be rejected in order to reject the kind of god it is related to. If the method proposed for deliverance from sin seems to be



ineffective, irrelevant, unjust, or lacking in the quality of mercy, the concept will be rejected in rebellion against the method. (See also chapter on "Why Things Go Wrong in Business Morals.")

**Values.** Values are preferences. Everyone has a system of values, even if that system may be chaotic and disorderly. Even the person who professes no values, has certain priorities to which he gives himself, often in that case the narrowest kind of self-interests. Or else he may first give himself to this value and then to that, even though they be contradictory. This is to say that he does make choices between goods, though sometimes in a very chaotic fashion.

Many people think that the universe backs certain values, while other values have time and the nature of reality against them.

Presumably, wisdom lies in making one's personal or group system of values coincident with the value system of the universe. Certain values may be unique to human life, but they are nevertheless part of the universe. This is equivalent to saying that human nature and human society in this universe are such that certain values are more appropriate than others. As human society changes and develops, and as a person matures, it is likely that a proper system of values should alter also. This is to say that "reality" has taken on new aspects, and the appropriate system of values has to change to keep up with "reality."

A person's conscious or professed system of values may not be the system he actually uses, for all men have difficulty living up to their ideal order of values.

# **Self Study: The Literature of Management Ethics**

A business manager who takes ethics seriously will study management ethics. If he has not studied it in school, he will study it on his own. If he is rushed on the job, he will devote himself to nighttime and weekend study. He will attend management workshops or seminars; and he will insist that moral and ethical issues be covered by those seminars.

In short, if he says he is as interested in business ethics as in other phases of management, he will act accordingly. One of the first places to start is to be informed. This takes work — work as hard as any ever done in the toughest college or business school course. Business educators, including those with years of experience and with Ph.D's, will likewise "hit the books." (Most business school Ph.D's have little or no "Ph." in their "D.'s.") No one is too old to learn.

Businessmen and business educators find that the literature labeled "management ethics" includes everything from exhortations to be good, to portraits of moral ideals, to descriptions of moral dilemmas, to ethical theory as applied to business. The purposes and skills of writers in the field have varied greatly; and writers have found it more challenging, and in some cases easier, to tackle some problems than others.

In this review, the literature is divided on the following basis:

- I. Moral Exhortations and Public Relations
- II. Descriptions of Moral Problems and Practices
- III. Descriptions and Prescriptions of Moral Standards
- IV. Ethical Principles
- V. Moral Sanctions
- VI. Moral Education

Each type of writing has its place in the literature of business; and some literature of each type is needed for education in management ethics, even though the discipline of ethics focuses primarily on moral standards and ethical principles.

Not always are the most popular of the above topics the ones most significant to business readers. Furthermore, so much has been written that selection of just what to read is difficult. Therefore, the businessman or business educator who seeks to be well informed in management ethics will have to select his readings carefully. In some cases, he will need to give special attention to the literature on moral and ethical principles.

Moreover, if the businessman or business educator plans to lead others in discussions or training courses in business ethics, then his responsibility is very great to select significant literature, and also provide or recommend a well-balanced sampling of the literature, including the literature on moral and ethical principles. He should be able to recommend significant readings in each of the subject areas listed.

#### **MORAL EXHORTATIONS AND PUBLIC RELATIONS**

**Moral Exhortation.** Moral exhortation can be found in speeches, articles, published sermons, even books urging businessmen to do the right. The exhortation may be impassioned or restrained, eloquent or awkward, informed or uninformed, and educationally effective or ineffective.

The magazines of service clubs and patriotic organizations often carry such articles. Business journals occasionally carry such articles, including academic journals like the *Harvard Business Review*.

Some academic journals, on the other hand, possibly fear that exhortation is all that ethicists or moralists can do, and they have little idea of what the discipline of ethics might contribute otherwise. The trade and industrial press have hortatory editorials on particular moral concerns of the industry, while the general business press sometimes exhorts on morality in general or on the special moral needs of business, labor unions, or government. Compilations of such hortatory articles, sometimes with other types of articles, have appeared in book form. News articles in the business press sometimes have a hortatory quality about them. Interestingly enough, exhortation is often more restrained in the religious journals than in the business press.

Although some business leaders exhort on business morality, their exhortations are usually not very effective. Moral platitudes and stained-glass attitudes are usually irrelevant to the complex moral dilemmas of business today.

Most business editors evidently acknowledge the need for some moral exhortation, however, whether it be inspiring and scholarly sermons by great preachers, moral pep talks in service clubs or industry conventions, or the thoughtful stimulation of some senior business statesman who has over the years earned his right to advise and be heard by those who share his concern for high moral standards in business.

**Public Relations.** This literature includes speeches, institutional or industry advertisements, books, or even historical studies designed to show the moral goodness, or the social usefulness, of a business or industry. These may be quite accurate portrayals of existing or historical moral conditions, and the materials may be appropriate for moral exhortation and for educational purposes. Of course, if the public relations materials are inaccurate or exaggerated, then the materials become propaganda and not education.

**The Place of Each in Business Ethics Education.** Some firms, trade associations, and business schools have built their "business ethics" educational programs around exhortation or a public relations focus. They call upon their best speakers to inspire high patterns of morality, and they call upon their best public relations people to teach business ethics principles. The inspiring speakers and the PR men frequently are put in charge of educational programs in business ethics. Oftentimes, but not always, these men are well qualified to do the work.

Secretary of Commerce Luther H. Hodges in 1961 asked William Ruder of the public relations firm of Ruder and Finn to convene the Business Ethics Advisory Council. This was not simply a public relations job for the Commerce Department. But it was a group convened by an

Assistant Secretary with public relations skills. When other agencies, including churches, have sponsored similar groups the convenors have usually had similar public relations or speaking skills.

Yet exhortation and public relations should not be the primary ingredients of an educational program in management ethics. Educational programs in management ethics do, of course, need inspiration, and they might very well be motivated initially by concerns for good public relations. But the field of management ethics goes much wider and deeper than exhortation and public relations. Strictly speaking, ethical inquiry has little to do directly either with making people want to be good or with interpreting an institution's moral position to the public. Significant education in ethics must focus on moral practices, moral standards, and ethical principles.

Most of all, the focus must be on ethical principles. Before businessmen and business educators can know which are moral problems, what moral standards are best, how to teach morals, or how to enforce moral sanctions, they must, if they are to be critical in their inquiries, consider why actions are right or good — the problems of ethical principles.

Decisions concerning ethical principles are thus basic to any thought-through decisions regarding what to exhort people to do, or what types of images the public should have about a business's moral position. Exhortation and public relations can never be essentially a moral operations, and either can serve immoral as well as moral purposes. Unless those who are skilled in exhortation or public relations have exceptional moral insight (and many no doubt do), their skills are only indirectly related to the main task of education in morals and ethics.

## **DESCRIPTIONS OF MORAL PROBLEMS AND PRACTICES**

**Available Literature.** The description of moral problems and practices of business is probably the largest literature of business ethics. Some of this literature enumerates problems without describing practices in detail.<sup>1</sup>

The main sources on the moral practices of business are the news media: newspapers, news magazines, the trade and professional journals, and some of the professional journals of business. Most of these sources give popular accounts. University scholars have not done much work in the area of descriptive ethics, even though there are more descriptive studies than there are normative studies or writings on the theory of business ethics.

<sup>1</sup>An example is the report of the Business Ethics Advisory Council, *A Statement on Business Ethics and A Call for Action* (33). References to the literature of management ethics in this chapter include the number of the complete citation in Appendix C.

The news media, of course, tend to emphasize the more obvious moral issues of business. The media are probably more accurate in reflecting the moral concerns of their readers than they are in reflecting the moral practices of business. News media report moral issues which interest the readers; equally or more significant issues may be omitted.

Thus the focus is often on bribes, fraud, call girls, padded expense accounts, income tax evasion, and similar "newsworthy" matters. Less frequently do the news media get excited about the right and wrong issues in wage negotiations, dividends or profits, or other pricing policies. Price collusion was long ignored until national investigations made the news dramatic.<sup>2</sup> So were concerns about food impurities, dangers from smoke, stream pollution, pesticides and insecticides, or the like. Often ethical issues in wage negotiations are not called to public attention until some dramatic situation like a strike focuses attention on the issue. Some newspapers, of course, do have good records in reporting significant moral and ethical issues in business life.

**Researchers' Interests in Descriptive Ethics.** As suggested above, there has been more research in descriptive ethics than in other ethical studies which attempt to relate moral practices to moral oughts. Anthropologists, sociologists, psychologists, and other social scientists are not unwilling to describe the *whats* and even some *whys* of moral behavior in certain areas of business life. Historians are also venturing more into these areas, conducting studies of the lives of business figures, the great corporations, and even entire industries. Social scientists are much more willing to make anthropological, sociological, psychological or historical analyses of moral judgments than they are to try to establish or recommend certain courses of action. In the areas of social science and descriptive ethics, they study the "is" questions; in the area of normative ethics they would have to consider some "oughts."

**Descriptive Ethics in Business Education.** Both formal and informal adult education in management ethics makes considerable use of descriptions of moral problems and practices.

This is especially true of case study approaches to business education. Moral problems must be described carefully for any pragmatic (contextual or situational) approach to ethics; these approaches to ethics take the unique contexts of case situations very seriously. Descriptive analyses are necessary, also, for any education in management ethics based upon a legalistic casuistry.

A natural law approach, even when coupled with analyses of pro-

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<sup>2</sup>See, for example, Herling. *The Great Price Conspiracy*, (80).

nouncements or encyclicals, also requires applications of the principles of natural law to specific situations.

Much business education proceeds on the assumption that formal training in ethics must come — if at all — primarily from courses in traditional ethical theory, whether those courses are required or optional in the business curriculum, or whether they are assumed to be part of a general educational background which the student brings to his business courses. Even so, the additional assumption is made that sooner or later the ethical theory will be applied to practical situations, and when that happens the moral dimensions of the business situations will have to be described.

**Studies Sometimes Not Considered as “Descriptive Ethics.”** If the contexts of situations are important for understanding morality, then many social studies are a significant part of the literature even though they may not be called “descriptive ethics.”

A study which assesses the status of automation is thus significant for moral analyses of industrial development. If most contract negotiations are now — in fact — a continuous process rather than separate periodic efforts, then reports on this are basic to the literature on the ethics of collective bargaining. If economic statistics show that earlier wage patterns are changing to new patterns, those data are significant for education in the ethics of income distribution.

Hence the literature of sociology, economics, history, and other fields can be useful for moral analyses without being written initially as “descriptive ethics.”

### **DESCRIPTIONS AND PRESCRIPTIONS OF MORAL STANDARDS**

Moral standards, which presuppose moral decisions or moral judgments based upon ethical principles, are statements about *what*, morally, one ought to do. The literature to be considered here is descriptive or prescriptive of the *ought*, as contrasted with the literature on moral practices (described earlier) which describes the *is*.

Moral standards can be prescribed by the positive law of the state through legislation, administrative law, court decisions and judicial regulations.

Or moral standards can be prescribed by company or industry laws: company policies and administrative procedures or industry policies and procedures (including industry-wide agreements, whether sanctioned by law or not).

Similarly moral standards can be prescribed by community or personal moral standards, whether unwritten codes, rules of thumb, etc.

Thus business executives may make decisions partially on the basis of their roles as voters, consumers, or family members.

**Pronouncements.** Pronouncements give people guides for moral decisions. Pronouncements may state moral standards as “middle axioms” or even give rules as guides for specific moral situations. Pronouncements may be made by an industry, a management or trade association, a single business firm, a civic group, an official or unofficial church body, a government unit, or some commission appointed by any of these groups. The pronouncement may be by an authority in the group, or may be a consensus of some majority and/or minority. The pronouncing body speaks *to* its own membership, and sometimes *for* its own membership. Usually, it speaks also to others than its own membership.<sup>3</sup>

### **ETHICAL CODES**

Ethical codes may be prepared by professions, trade or management associations, industries, labor unions, or government bodies. These may contain detailed specific rules “middle axioms,” or frankly unattainable professional or industry ideals. (The American Management Association in 1962 established a Business Ethics Advisory Service which has gathered a large number of industry codes for use by business.)

The code makers usually speak to their own groups, but often desire that the code be known by others for public relations purposes. Hence professional codes are often framed and put on waiting room walls. Pronouncements, discussed earlier, usually imply that the moral standards or middle axioms are valid enough universally that they should be held by all, while codes are written more for the use of a particular group. The public relations value of a code, however, is that the code indicates high standards which others should respect, if not necessarily emulate.

### **ETHICAL PRINCIPLES**

The literature on ethical principles, including ethical principles for business and economic life, includes: (1) writings on the methods of ethical inquiry, (2) classifications of major ethical perspectives and histories of ethical thought, (3) specific categories within ethics, and (4) relationships of the various ethical theories to the several theories of know-

<sup>3</sup>For examples of pronouncements, see studies by: Bowen, *Social Responsibilities of the Businessman* (26); Business Ethics Advisory Council, *op. cit.*, (33); Pope John XXIII, *Mater et Magistra* and *Pacem in Terris* (88-89); National Council of Churches, *Christian Principles and Assumptions for Economic Life*, (140); and Pope Pius XI, *Quadragesimo Anno*, (156). The National Association of Manufacturers, the United States Chamber of Commerce, and many professional and industry groups have what, in effect, are pronouncements.



ledge, theories of value, perspectives about the nature of man, etc., implicit in the ethical perspectives.

**The Methods of Ethics.** Whether in general ethical theory, or the theory of business and economic ethics, more is written on other aspects of theory than on method as such. Some literature does focus particularly on what is involved in ethical criticism and moral deliberation.<sup>4</sup>

Some writings describe what happens in dialogue and the dialectic process. Other writings describe skills to be developed if one is to deliberate on moral issues critically. The methods of casuistry are considered by some writers as methods of ethics.<sup>5</sup> A few writings describe the methods of authority, moral indifference, "common sense," and intuition.

**Major Ethical Perspectives.** Textbooks and popular writers have developed systematic classifications of ethical perspectives for students of philosophy or theology, and some have described the development of these perspectives historically.<sup>6</sup> There are, of course, the classical writings in ethics. Major ethical perspectives can be described in terms of major philosophical viewpoints or by major theological viewpoints. Some of these writings appear in books of readings cited in the preceding footnote.

Traditionally—if, indeed, the field of management ethics is old enough to have a tradition—the ethical perspectives considered have been those classified systematically rather than historically. If there are lessons to be learned from the classical writers of ethics, the lessons either have been learned outside the business curriculum or else have been summarized by those who teach. Few people, it seems, have asked: "What insights do Plato, Aristotle, the Old Testament prophets, the New Testa-

<sup>4</sup>See, for example: Bennett, *Project Laity: An Experiment in Adult Education and Social Action in the Local Church* (18); Blum, *Social Audit of the Enterprise* (22); "Living Right At Our Work." (Film strips) (117); *Ethics and the Law* (53); Johnson, *Patterns of Ethics in America Today* (90); Johnston, *The NCCEM Story* (100); Leys, *Ethics for Policy Decisions: The Art of Asking Deliberate Questions* (113); Littell, *The German Phoenix* (116); and The National Council of Churches, *Relating Faith to Decision* (138). Most texts in ethics, cited here, also concern method.

<sup>5</sup>See: Leys, *op. cit.*, (113); and Long, *Conscience and Compromise: An Approach to Protestant Casuistry* (118).

<sup>6</sup>For readable texts with varying viewpoints, see: Baum, *Readings in Business Ethics* (12); Cronin, *Social Principles and Economic Life* (44); Dempsey, *The Functional Economy* (47); Ewing, *Ethics* (54); Frankena, *Ethics* (62); Hill, *Contemporary Ethical Theories* (81); Hospers, *Human Conduct: An Introduction to the Problems of Ethics* (83); Johnson, *op. cit.*, (90); Leys, *op. cit.*, (113); Melden, *Ethical Theories: A Book of Readings* (124); Morgan, *Christians, the Church, and Property: Ethics and the Economy in a Supermarket World* (133); Mothershead, *Ethics: Modern Conceptions of the Principles of Right* (134); Niebuhr, *An Interpretation of Christian Ethics* (143); Ramsey, *Basic Christian Ethics* (163); Sellars and Hospers, *Readings in Ethical Theory* (174); and Walton, *Ethical Criteria, Societal Expectations and Marketing Practices* (185).

ment writers or other classical or contemporary philosophers have for business decisions?" There are some writers, however, who do ask such questions and have done so in books which have been used in business ethics courses.

Much of the writing in the theory of philosophical ethics recently has been concerned primarily with the meaning of ethical terms and the extent to which man can have knowledge of right and wrong. Such analyses, while useful, run the danger of losing contacts with the concrete realities to which the theory should be relevant.

A literature is slowly developing in ethics and business ethics—a theoretical literature (for it is still theory)—which includes descriptions of the complex situations in which moral terms are used. Such descriptions may be useful in anticipating the choices that may be made by individuals and the actions which are open to individuals who must make decisions.<sup>7</sup>

The descriptions are of concrete moral situations (often typical of other situations). Such descriptions include: the person (or persons) faced with decision, the circumstances, courses of actions available, consequences of taking the various courses, and standards or norms by which actions are judged.

**Other Categories Within Ethics.** Almost all ethical perspectives deal with similar problems and concepts, although what they have to say about the concepts may vary. Most of these categories apply to business ethics, and deal with such topics as: (a) self-interest and altruism, (b) social responsibility, (c) compromise, (d) the theory and problems of loyalty, (e) "fair play" and the meanings of justice, (f) freedom in business, (g) the public interest, etc.

The literature on all these topics, even when limited to the theory of business ethics, is voluminous. But is very uneven in quality; it is not always grounded on solid philosophical, theological, or historical foundations; and the writings are scattered and hard to find.

The Ethical Studies program at South Dakota State University has developed an annotated bibliography of such literature in economic ethics (183).

## **MORAL SANCTIONS**

Professional ethical codes can be a form of moral sanctions, but have been discussed earlier as prescriptions of moral standards. Oftentimes professional codes are written as much to enforce standards as to set goals

<sup>7</sup>See Underwood, *Protestant and Catholic: Religious and Social Interaction in Industrial Community* (181) as an example. The case literature of the business schools has contained more on moral issues in recent years, too.

of what standards might be. The Business Ethics Advisory Service of the American Management Association has a collection of industrial and professional ethics codes.<sup>8</sup>

However, there are many kinds of sanctions other than voluntary professional codes. These include laws, court decisions, "laws of nature," religious tradition, unwritten rules of society, and conscience. The literature is as varied as these sanctions indicate. Some sanctions, by their very nature, have little "literature."

Moral sanctions — whether incentives or punishments — enforce compliance with specific moral standards or rules. The desire for the standards and sanctions may arise from inside or outside the business. The standards or rules to be enforced may have been authoritatively or democratically formulated, and may have come from inside or outside the business or industry. Not always are the standards to be enforced considered "moral" by those not associated with the industry.

### MORAL EDUCATION

Moral education may deal with any or all of the above problems of morals. Hence the literature ranges over the field. However, there is a growing literature on education in management ethics where the emphasis is on more than mere exhortation or public relations, more than just describing problems or prescribing standards and more than teaching only ethical principles. It is an attempt to be positive, rather than negative (as an emphasis on sanctions alone may be). Teachers of management ethics are usually hopeful about what can be accomplished in moral or character education, even though they may not always be so hopeful about man's moral nature. Some would say that all business education — indeed all education — should in a sense be moral education.

The literature of moral education in business thus ranges from excellent industry, labor union<sup>9</sup> or church<sup>10</sup> books and study pamphlets to very poor ones. The literature includes published proceedings of meet-

<sup>8</sup>*The Annals*, (1) and (2), have articles and references on codes. See also Bowen, *op. cit.*, (26).

<sup>9</sup>See Leys and Senn, *Teaching Ethics in Labor Education* (115).

<sup>10</sup>Many National Council of Churches publications are excellent. See especially: *The Ethics and Economics of Society* book series by Harpers (135). See also: Bennett, *Project Laity* (18); "Living Right At Our Work," film strips (117); Gordon *et al.*, *Our Economy of Abundance* (70); Hall study guides (73, 74, 75); Information Service (85); and Kuhn, *Christians in a Rapidly Changing Economy* (106).

Roman Catholic study guides, of high quality, have been prepared for use with the various papal encyclicals (88, 89, 156). See also the National Conference of Catholic Employers and Managers, *Operating Guide*. Chicago, August 1962. An interdenominational group, the Laymen's Movement, has *Living My Religion on My Job* (108).

ings which have considered problems of business ethics.<sup>11</sup> Some of these are collections carefully structured, written, and edited; others are hastily assembled speeches where the sponsors have had too much publication money or the speakers have had too little time or talents for creative writing.

There are few texts, as such, in business ethics, economic ethics, or management ethics. Some of these include essays which fall under only one or a few of the headings described earlier, and thus cannot be considered as general texts in management ethics. In the last decade several new texts in business ethics have appeared to join the small collection of texts which are available for those who wish a textbook approach to the subject.<sup>12</sup>

<sup>11</sup>Some of the most outstanding have been proceedings of conferences held at the Jewish Theological Seminary, convened by the Institute of Social and Religious Studies. See also proceedings of the Conference on Science, Philosophy and Religion. See especially: Cleveland and Lasswell, *The Ethic of Power* (38) and *Ethics and Bigness* (39); and MacIver, *Integrity and Compromise* (121). Other publications in the series of these two institutes, often edited by F. Ernest Johnson or Robert M. MacIver, are just as outstanding and are cited in the larger annotated bibliography published by the Ethical Studies group at South Dakota State (183). (See Appendix C.)

<sup>12</sup>These include: Garrett, *Ethics in Business* (67); Johnston, *Business Ethics* (98); Spurrier, *Ethics and Business* (177); a forthcoming book on business and ethics by Kenneth Underwood, and Wirtenberger, *Morality and Business* (194). Most of these are from a specific religious point of view; and readers or schools which use them often balance them by texts with other points of view.

# Selected Readings

This is a selection of readings in ethics which may prove useful for those who want to read further in some area suggested by the Guide, or for those who want background reading for discussion of various phases of management ethics. Books which are available in paperback edition and booklets which were published originally with soft covers are marked (\*). A number of journal articles are available in reprints.

An excellent source of studies in economic ethics, but not cited in this bibliography, is the *Review of Social Economy*. This bibliography contains few references from *Ethics* or other philosophical journals, nor are many excellent articles from church publications cited.

An annotated *Economic Ethics Bibliography* by Van Vlack, Sewrey, and Nielsen (183), is available in this Ethical Studies Series. Many of the titles listed here are annotated in that bibliography.

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2. .... "Ethical Standards in American Public Life." (Clarence N. Callendar and James C. Charlesworth, Eds.). *The Annals of The American Academy of Political and Social Science*. 280:1-157. March 1952.
3. .... "The Ethics of Business Enterprise." (Arthur S. Miller, Ed.). *The Annals of The American Academy of Political and Social Science*. 343:1-141. September 1962.
- \* 4. American Management Association. *The A.M.A. Management Film Catalogue*. 1515 Broadway, New York 36. AMA Management Television Center. 1963.
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- \* 18. Bennett, Thomas R. *Project Laity: An Experiment in Adult Education and Social Action in the Local Church*. (Mimeographed.) 475 Riverside Drive, New York 27. National Council of Churches, Department of the Church and Economic Life. 1961.
19. Benoit, Emile. *Ethical Issues in the Economic Impact of Defense Spending and Disarmament*. With Guide to Discussion by Church or Other Interested Groups. (Mimeographed.) 475 Riverside Drive, New York 27. National Council of Churches. 1960.
20. Berger, Peter. (Ed.) *The Human Side of Work*. New York. Macmillan. 1964.
- \* 21. Berle, Adolf A., Jr. *Power Without Property: A New Development in American Political Economy*. New York. Harcourt. 1959.
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23. Boulding, Kenneth E. *The Organizational Revolution*. New York. Harper. 1953.
24. .... "Symbols for Capitalism." *Harvard Business Review*. 37:1:41-48. Jan.-Feb. 1959.
- \* 25. .... Carl H. Voss, and Walter A. Kaufman. *Ethics and Business*. Univ. Park, Pennsylvania. Pennsylvania State University, College of Business Administration. 1962.
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27. Broehl, Wayne G., Jr. "Ethics and the Executive: The Small Decisions That Count." *Duns Review and Modern Industry*. 69:7:45:122-124. May 1957.
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