

BUSINESS ETHICS EDUCATION

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Abstract

This paper makes the review of the literature dedicated to relevant social issues that have been addressed by business practices and the business ethics literature, especially during the past century. The review of practical literature is undertaken from the perspective of the practitioner and demonstrates that the business ethics literature has been lax in the sense that it mostly addresses specific managerial problems and personal ethics within the business environment.

Key Words: Business Ethics, Business Practices, Management

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Introduction

What do we really mean by the expression “business ethics”?

Is the term “business” limited to those activities that are designed or intended to make money, or a profit?⁸

These are two of the questions presented by George Devine in his book *Responses to 101 Questions on Business Ethics*. These two questions are of significant importance in the literature of business ethics; in fact, almost the entire genre engages directly or indirectly in these debates.

Business ethics began to be systematized at the start of the 20th century. McHugh notes that between 1900 and 1920, the “moralist admonished the shady trader to mend his ways; voters called for legislation to improve the working conditions of women and children,” worker compensation issues became relevant, as did “truth in advertising,” the Better Business Bureau was established, and the first courses in business ethics were offered in universities.⁹ I opened this paper with two questions in order to frame a comparison within the business ethics literature. I classify this literature as either “practical” or “philosophical.”

Taking these literary classifications as a frame of reference, I intend to compare and contrast two basic claims. First, I will analyze portions of a selected group of books in the field that engage Devine’s questions about business ethics, its definition, and some of the basic ideas about the

relationship between profit and ethics. Second, I will address the historical evolution of the discipline of business ethics and how it has neglected to address social issues such as poverty from a preventive stance. This review will reveal that the business ethics literature lacks a social justice perspective and thus neglects to provide a coherent response to economic justice.

The review of the philosophical literature will be dedicated to relevant social issues that have been addressed by business practices and the business ethics literature, especially during the past century. The review of practical literature will be undertaken from the perspective of the practitioner (an employee or businessman) and will demonstrate that the business ethics literature has been lax in the sense that it mostly addresses specific managerial problems and personal ethics within the business environment.

Business Ethics Literature

In the *Blackwell Encyclopedic Dictionary of Business Ethics*, the entry for the term “business ethics” opens by stating that, “The study of ethics is the study of human action and its moral adequacy.” It is a branch of applied philosophy that considers the idea of what are, and what ought to be, good business practices. The text proceeds to specify that business ethics is, then, “the study of business action-individual and corporate-with special attention to its moral adequacy.”¹⁰ It is an applied ethical field that addresses activities in commerce.

A basic search of “business ethics” on www.amazon.com provides over 27,000 texts that include the term as a title or subtitle. Most business

⁸ George Devine, *Responses to 101 Questions on Business Ethics* (New Jersey: Paulist Press 1996).

⁹ Francis P. McHugh, *Keyguide to Information Sources in Business Ethics* (London: Mansell Publishing 1988). Here McHugh uses the term “systematizing business ethics” and exemplifies the start of business ethics as a field of study for social relevance.

¹⁰ *The Blackwell Encyclopedic Dictionary of Business Ethics*, 1997; “Business Ethics.” The definition is provided by Kenneth E. Goodpaster in this edition, edited by Patricia H. Werhane and R. Edward Freeman.

ethics books strive from the very beginning to define the topic as an applied social practice. This is important because the practice of business deals specifically with the activity of monetary profits, which in itself triggers ethical concerns from several different cultural perspectives. It also creates the two different literary currents most easily described in the literature: the practical and the philosophical. The practical perspective in the literature engages more with the individual, such as issues of personal responsibility, liability, or direct impact. In contrast, the philosophical aspects and issues analyzed in the literature tend to engage in the discussion of the collective moral impacts of business practices. This dichotomy became clear as I reviewed the business ethics literature commonly used in business schools and humanities departments, and more specifically in the introduction of these texts.

Philosophical Business Ethics Literature

Given that the business ethics literature is quite ample, I intend to use Richard DeGeorges 2005 paper, delivered at *The Accountable Corporation Conference* in Santa Clara University, and *McHugh's Keyguide to Information Sources in Business Ethics* as references for the most common philosophical approaches and issues studied in the literature. I will take some of the points mentioned by both authors, and then proceed to illustrate them with examples taken from some of the better-known authors in the field of business ethics.

DeGeorge and McHugh are both prolific authors in the field and their works present a careful description of the development of business ethics as an academic discipline. Furthermore, the two authors exemplify key philosophical ideals that have influenced and shaped the field as we know it today. Among these, social responsibility and justice are perhaps the most frequently addressed issues.

Social Responsibility

Ethical Issues in Business: A Philosophical Approach, by Thomas Donaldson and Patricia Werhane, first appeared in 1979.¹¹ It was one of the first titles in the field to present a strong philosophical content. The authors tried to interpret the concept of business ethics via an historical-philosophical evaluation, using a compilation of writings from different social perspectives. This title and a great majority of others approach social responsibility from the ethical and philosophical analysis presented by Milton Friedman in his 1970 *New York Times* article "The Social Responsibility of Business is to Increase its Profits."

¹¹ Thomas Donaldson and Patricia Werhane, *Ethical Issues in Business: A Philosophical Approach* (New Jersey: Prentice Hall Press, 2008). This is now the 8th edition of the book.

In the business ethics literature, Friedman has come to represent the 20th century interpretation of the liberal philosophical school of thought—a perspective that defends the profit seeking mechanisms of the business community. Friedman utilizes Adam Smith's work to advocate the *laissez-faire* practices that he believes are necessary for ethical outcomes to flourish in the corporate world. Friedman makes a remarkable distinction with his question, "What does it mean to say that business has responsibilities?" and his answer is, "Only people can have responsibilities."¹² This dichotomy has continued to serve as a key concept in the philosophical business ethics literature.

Most business ethics literature addresses social responsibility under a rubric such as "Ethics in Corporations." Given the great influence of Friedman, this section generally includes writings that deal with the individual and his or her liability for decision-making. I interpret DeGeorges analysis as quite assertive, as he refers to Adam Smith's intellectual development of John Locke's idea of labor and his insistence of presenting it as a theory of value. I defend this point, because this basic theory of labor has allowed for the autonomy that is imperative in the development of business practices during in the global age.

"In modern times," DeGeorge claims, "commentators have interpreted him [Smith] as a defender of *laissez-faire* economics, and put great emphasis on his idea of the invisible hand."¹³ Certainly the philosophical foundation of social responsibility in the business ethics literature is one in which liberty and autonomy are the instruments with which to achieve success. However, the philosophical literature also flirts with an alternative but realistic outcome, failure. Failure is a potential outcome because the main force struggling against liberty and autonomy in a profit-based practice is that very human element, greed.

Ethical Theory and Business, by Tom Beauchamp and Norman Bowie, was published in 1977. McHugh claims that when this book first came out "business ethics had received little attention by philosophers," and business schools considered the field to be of little importance.¹⁴ Clearly, this text and that by Donaldson and Werhane pioneered the implementation of theoretical thought in the business

¹² Milton Friedman; "The Social Responsibility of Business is to Increase its Profits," *New York Times Magazine*, September 13, 1970. Retrieved from <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html> June 2, 2008.

¹³ Richard DeGeorge, 2005, "A History of Business Ethics", paper delivered at "The Accountable Corporation", the third biennial global business conference sponsored by the Markkula Center for Applied Ethics at Santa Clara University.

¹⁴ *Ibid.* 3. McHugh p. 12.

ethics field. DeGeorge mentions that during the 1970s “philosophy added a theoretical framework to the area that had been previously lacking,” thus designating Beauchamp and Bowie’s book a significant source in the literature.

Although Beauchamp and Bowie also approach social responsibility from a Friedmenian perspective, a section on the differences between stockholder management and stakeholder management is included in their book. Articles by Goodpaster and Boatright engage in the analysis of social responsibility from each perspective. Goodpaster mentions that the concept of the stakeholder, first proposed by professor R. Edward Freeman, “appears to have been invented in the early 60s as a deliberate play on the word stockholder to signify that there are other parties having a stake in the decision making of the modern publicly held corporation,”¹⁵ therefore amplifying the social responsibility circuit into a more heterogeneous approach.

The philosophical insight of the stakeholder theory was to root responsibility in the hands of the local, a characteristic that is shared by cosmopolitans. Boatright, on the other hand, includes the term “fiduciary” to specify the common practice of entrusting great responsibility to an individual or group of individuals for the specific purpose of profiting. According to Boatright, the legal owners’ “main fiduciary duty is to operate the corporation in the interests of the shareholders.”¹⁶ A division of interest is well-established among the shareholders and the stakeholders, giving the first group a prioritizing place in the determination and achievement of social outcomes.

The social responsibility debate in the philosophical business ethics literature does for the most part remain rooted in this liberal tradition. It has strived towards the ideal of shared responsibility and it encourages the finding of common ground between shareholders and stakeholders. However, this balancing act can produce severe difficulties due not only to greed, but also because it sidesteps the question of whether business should be solely restricted to the creation of profits. Furthermore, the philosophical approach in the business ethics literature has endorsed a docile economic justice approach throughout its history.

However, I believe that the social responsibility debate—among the laissez-faire approaches, and between the stockholder versus stakeholder theories

in the social responsibility realm—addresses a process that has been irreparably fractured by its profit-seeking nature. In other words, so long as we refer to the established social responsibility literature of business ethics, we will continue to lead business students to a system, which is primarily based in and oriented towards economic solutions. In all such cases, a given solution economically favors or hurts the stakeholder more than the stockholder.

Even so, scholars in the field have been aware of the legislative and political aspects of social responsibility and of the fact that most corporations have chosen to present themselves as socially responsible. As DeGeorge states, “the language of social responsibility rather than explicitly ethical language is still probably the most commonly used”¹⁷ in order for corporations to get away with a self-imposed measuring system of ethical behavior. It is likewise true that there has been significant influence or pressure from society regarding business ethics, and many corporations have adopted external monitoring. What role has the business ethics literature played in the decision making process of corporations? Is the literature used in business schools and in academia in general generating an awareness of the ethical? Or is it fair to say that the literature itself has addressed only the interpretative side of unethical corporate behavior, simply taking sides on what would be or not be socially responsible? I believe that the philosophical business ethics literature has tended toward the latter, and that his problem derives from the nature of the field: the dichotomy between profit and ethics and the unending struggle to combine both.

Ethics and Corporate Social Responsibility

In *Ethics and Corporate Social Responsibility*, Ronald R. Sims presents a pragmatic philosophical approach to the social responsibility discussion. Chapter Three of the book is entitled “Understanding Corporate Citizenship: Social Responsibility, Responsiveness, and Performance.” It begins with this claim:

The History of U.S. business is riddled with sordid tales of magnates who went to any length in their quest for success, in the process destroying not only the country’s natural resources and the public’s trust but also the hopes and dreams of millions of people.¹⁸

The resources and the trust that the author claims to have been destroyed are the price that some in American society have, for the purpose of generating profits, cost others. The author encourages the stakeholder to take social action in order to remedy this situation. He presents a list of the people

¹⁵ Keneth E. Goodpaster, “Business Ethics and Stakeholder Analysis” in Tom L. Beauchamp and Norman E. Bowie’s, *Ethical Theory in Business*, (New Jersey: Prentice Hall Press, 2001). This is now the 6th edition.

¹⁶ John R. Boatright, “Fiduciary Duties and the Shareholder-Management Relation: Or, What’s So Special About Shareholders?” in Tom L. Beauchamp and Norman E. Bowie’s, *Ethical Theory in Business*, (New Jersey: Prentice Hall Press, 2001). This is now the 6th edition.

¹⁷ Ibid. 7. DeGeorge

¹⁸ Ronald R. Sims, *Ethics and Corporate Social Responsibility: Why Giants Fall* (Westport: Praeger Publishers, 2003).

who should be involved in ethics decisions, drawing from the different roles in which you and I can or already do participate in society: shareholders, employees, customers, creditors, suppliers, unions, competitors, governments, local communities, and the general public.¹⁹ We can ask, Who does this list omit? The answer is nobody. The approach Sims outlines ought to allow every individual in society who participates in a specific role to expect to enjoy a socially responsible environment.

Corporate Social Responsibility and the Bottom Line

Business ethics literature has approached competing philosophical arguments by recognizing that the corporation does “play a significant role in society” and in the “lives of people” now more than ever before.²⁰ However, several business ethics scholars have widened the scope of the analysis. Nicholas Capaldi identifies “four main sources” in the business ethics of social responsibility: the philosophical, legal, political, and geo-political. However important all four aspects are for the understanding of the concept of social responsibility, our interest now concentrates on the philosophical. Capaldi asserts about the philosophical tradition about social responsibility:

Many modern philosophers, beginning with Machiavelli and specially Hobbes, Locke, and the subsequent Anglo-American tradition, reject the classical and medieval notions of a collective social good.²¹

This is why I state that the nature of business and profit possesses the root of the problem, and why business ethics literature therefore struggles to achieve a realistic ethical outcome.

In the philosophical literature, as mentioned before, several tools have been utilized by business ethicists. Capaldi, although not the first, does include the term “compassion” in the social responsibility discussion. He divides the “compassionate approach” amongst libertarians and communitarians. The libertarian achieves liberty thru free will, autonomy, and the strong protection of personal rights. The communitarian seeks the same outcomes by relying on social good as defined by society, distributive justice that seeks fairness, and strong legislation that promotes equality.

The realization of corporate activity in society varies: the libertarian is seeking profits based on consumption with little regard for anything else,

while the communitarian concentrates more on the relations of production and the distribution factor of profit.²² It is not my intent to engage in the debate amongst these two common approaches to the achievement of social justice. It is, however, my intention to point out that neither of currents of thought in the business ethics literature can appeal completely to an achievement of economic justice and therefore most business practitioners.

Justice: Philosophical Approaches In Business Ethics Literature

Initial discussions of business ethics introduced students to two of the basic techniques of moral argumentation, that used by utilitarians (who hold that an action is right if it produces the greatest amount of good for the greatest number of people), and that used by deontologists (who claim that duty, justice and rights are not reducible to considerations of utility). Other approaches were soon introduced including natural law, virtue ethics (based on Aristotle), and the ethics of caring (often associated with a feminist approach to ethics).²³

DeGeorge utilizes the terms *right*, *good*, *duty*, *justice*, *law* and *virtue*, in describing the basic arguments within the business ethics literature, and more specifically as descriptors for methods to define and achieve a just outcome for individuals who engage in business. Why is it that all these concepts have to be utilized in discussions of justice qua business ethics? McHugh declares the following about the dilemma:

But when it comes to applying general theories of morality and principles of justice to the particularities of business, contemporary authors soon run up against the problem of making ethical judgments about individual acts....²⁴

These statements illustrate that the philosophical business ethics literature has had to decipher the pursuit of justice by placing the action of the individual first and foremost; only after this can the business outcome may be determined to be ethical or just. Even in ancient Greek society, the concept of justice framed whether or not actions taken amongst autonomous individuals would be values as exemplary. In Book I of the *Republic*, Polemarchus suggests that Justice is “giving to each what is owed,” meaning that a rational process should take place in order to decide what is for whom. More profound is Thrasymachus’s claim that justice is nothing more than the will of the strong and powerful. These two perspectives—the giving to each what is owed versus the determination of justice based on power—entail some of the greatest ethical dilemmas in the field of business ethics. In either case, the literature engages

¹⁹ Ibid. p. 40-41.

²⁰ Ibid. 3. McHugh p. 13. Citing Kenneth E. Goodpasters “course outline at Harvard Business School, Ethical aspects of corporate policy.”

²¹ Nicholas Capaldi. “Corporate Social Responsibility and the Bottom Line.” *International Journal of Social Economics* Vol. 32 No.5 (2005).

²² Ibid.

²³ Ibid. 7. DeGeorge

²⁴ Ibid.

the individual as an autonomous being capable of reason, and thus capable of understanding right from wrong.

In reviewing business ethics literature, I have detected a degree of uniformity within the teaching of individual ethical reasoning. For instance, it is quite common to witness the use of Aristotle, Immanuel Kant, and John Stuart Mill to represent the classical approaches to the good. It is also common to read ethical theories of justice that engage mostly with contemporary philosophers, and which work to exemplify a modernized version of Mill's utilitarian theory. Several examples serve to illustrate these trends.

In *Ethics and Excellence: Cooperation and Integrity in Business*, author Robert Solomon uses (for the most part) an Aristotelian virtue approach to interpret justice as a viable outcome. He includes an entire section, composed of seven subsections, dedicated to Aristotelian thought. For Aristotle, justice is a virtue, a trait of character that must be reached; it is not a state of being. According to Salomon, the Aristotelian virtue approach to achieving social justice is the best challenge to the demands of a corporate world where the "cost-cutting, the down-sizing, the strategic bankruptcies and restructurings, the mergers and the take-overs" are some of the conflicts (or business solutions) that the present corporate entities have created.²⁵ Salomon assigns the *integrity* of the individual as quest for *virtues* throughout the chapters.

The business ethics literature approaches justice in a way that promotes duality, and even divergence, between theory and practice. We can come to understand a metaphysical concept of justice, of what "ought to be"; however, actual business practices are what eventually come to define society, whether just or unjust. To circumvent this problem, business needs to follow what Capaldi called (T/P), to exemplify the idea that "practice ought to follow theory."²⁶ Yet as noted above, business ethics literature has been almost constantly forced to engage in an interpretative sequence of events rather than engaging in preventive analyses in which the actual ethical theory could imply or even suggest significant philosophical changes in business practices.

Many other titles in the business ethics literature have considered virtue ethics to be a relevant ethical approach. They follow Aristotle's suggestion that a process of maturation in the individual leads to an eventual recognition and practice of virtue, from which justice can then be achieved. This model of

ethics in business allows for the practice to precede the theory, a reversal of Capaldi's (T/P) suggestion.

The Kantian model for philosophical business ethics literature serves as a central established framework that defines parameters for the basic rule of duty, or as Kant called it, the categorical imperative. In the *Groundwork of the Metaphysics of Morals*, Kant states: "Act only according to that maxim whereby you can at the same time will that it should become a universal law."²⁷ It is important to know that according to Kant morality is commanded by reason in the individual, which then allows the thinking being to determine his duties and obligations in order to create justice.

The Kantian Perspective in Business Ethics Literature

Business Ethics: A Kantian Perspective, by Norman Bowie, analyzes Kant's "three formulations of the categorical imperative" to address the question, "how would business firm in a capitalist economy be structured and managed?"²⁸ in accordance with Kant's ethical theory. When Bowie refers to the three Kantian formulations, he is basically narrowing the idea of the categorical imperative to include only permissibility in market interactions, moral obligation in market interactions, and moral community formulation (for moral business organization),²⁹ so that he can provide a foundation for a moral business organization.

Immanuel Kant provides common sense ideas about morality to the literature of ethics, both business-oriented and otherwise. However, despite the vast business ethics literature, only Bowie's book engages extensively in Kantian considerations of business practice. Nonetheless, Bowie clearly states throughout the book that even though Kant's philosophy is rigorous, the bottom line for business is still profitability. Business ethics will constantly have to engage in the profit versus morality debate; and even though business ethics literature strives to scaffold coherent arguments about the good, the profit factor will undoubtedly continue to taint the achievement cosmopolitan ideals.

The argument presented in this document is organized around the idea of an inclusive cosmopolitan business ethic. I have argued that the philosophical business ethics literature has neglected to address ethical theories in business from a preventive critical stance, a factor contributing to the lack of cosmopolitan understanding in the part of the business ethics learners in business schools in general. Even though, Immanuel Kant's idea of the

²⁵ Robert C. Solomon, *Ethics and Excellence: Cooperation and Integrity in Business* (New York: Oxford University Press, 1992)

²⁶ Nicolas Capaldi. "What Philosophy Can and Cannot Contribute to Business Ethics." *The Journal of Private Enterprise*. Vol. 21 No. 2 (2006)

²⁷ Immanuel Kant, *Groundwork of the Metaphysics of Moral* (United Kingdom: Cambridge University Press, 1998)

²⁸ Norman E. Bowie, *Business Ethics: A Kantian Perspective* (Massachusetts: Blackwell Publishers, 1999)

²⁹ Ibid.

cosmopolitanism is what initially inspired the idea of business ethics and economic justice. I do believe that Kantian cosmopolitanism is clearly a precursor to contemporary ideas of globalization. However, I conclude that Kant lacked the ability to achieve a truly globalized cosmopolitanism. Kant neglected to directly engage with the kinds of practical economic issues and events that are relevant in modern global business practices today.

Bowie entitled the last section of his book "The cosmopolitan perspective." There he adheres to Kant's ideal of perpetual peace, where we as global citizens will realize that we are all one human family.³⁰

Several other important titles in the philosophical business ethics literature include discussions of Kant. In Manuel Velasquez's *Business Ethics: Concepts and Cases*, the author points to the Kantian moral theory as having limitations and inadequacies for business practice.³¹ He feels that Kant's inflexibility regarding duty is a major fault within the culture of business practice. This argument is another commonality in the business ethics literature that I have reviewed.

In Kevin Gibson's *Business Ethics: People, Profits, and the Planet*, Kant's *Ethics of Duty* is cited in discussions of a "movement in business ethics called Kantian capitalism,"³² a form of capitalism based on the idea of a respect for human worth (as presented by Kant in his categorical imperative). Gibson points out that this means, "that a business has to treat its workers not just as human capital but by reference to the golden rule,"³³ comparing God's principle to that of Kant's imperative.

The utilitarian Perspective in Business Ethics Literature

In Boatright's *Ethics and the Conduct of Business*, Chapter Two "Welfare, Rights and Justice," utilizes the utilitarian philosophical theory for "its ability to account for the concepts of duty (or obligation), rights, and justice."³⁴ Utilitarianism is probably the most popular philosophical theory published in the business ethics literature, as I have mentioned before. It is used explicitly in the philosophical business ethics literature and more indirectly in what I refer to as the practical business ethics literature. It is of common use because it allows authors a way to map

justice into business practices. Let us consider the question, Are more profits a better form propagating happiness amongst society? A utilitarian equation has the possibility of placing profit over the individual, if one can determine that that profit will in some form benefit more individuals, either immediately or in the future. Boatright, like most other business ethics academicians, places an emphasis on utilitarianism being a consequentially-based moral theory. In chapter two of *Utilitarianism*, John Stuart Mill states:

The creed which accepts as the foundation of morals, Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness.

By happiness is intended pleasure, and the absence of pain; by unhappiness, pain, and the privation of pleasure.³⁵

It is clear of how the principal of utilitarianism has allowed business ethics literature to interpret business actions as ethical strictly by considering them as they affect a majority of people through this "pleasure principle," which is later defined as profit. However, it cannot be fair to assume that utilitarianism has been responsible for pushing the business ethics literature to suggest that ill-business actions are ethical.

Boatright describes four forms of utilitarianism, which together are considered by some to exemplify classical utilitarianism. As a premise he states the following: "An action is right if and only if it produces the greatest balance of pleasure over pain for everyone."³⁶ Additionally, four sub-premises complement this principle: *consequentialism*, *hedonism*, *maximalism* and *universalism*. Business ethics as an established practice uses these principles because they allow for the basic interpretation of cost-benefit equations, including those with a social component.

This limitation does not mean that utilitarianism is wrong; however, it does specify directly that there will be winners and that there will be losers in the game. Only then will it be able to provide room for realistic discussions that can provide substantial intellectual and practical solutions that address the problem of poverty.

In reference to the future of business ethics as an academic field, Richard DeGeorge states that "both globalization and the march into the Information Age are changing the way business is done and the ethical issues businesses face."³⁷ The philosophical approach to business ethics, as a discipline, needs renovation because business practices, conditions, views, and circumstances are also being reworked.

³⁰ Ibid. P. 166 Here Bowie is quoting Kant.

³¹ Manuel G. Velasquez, *Business Ethics: Concepts and Cases* (New Jersey: Prentice Hall Press, 2005) This is now the 6th edition of the book.

³² Kevin Gibson, *Business Ethics: People, Profits and the Planet* (New York: McGraw-Hill, 2006)

³³ Ibid.

³⁴ John R. Boatright, *Ethics and the Conduct of Business* (New Jersey: Prentice Hall Press, 2007) This is now the 5th edition of the book.

³⁵ John Stuart Mill, *Utilitarianism* (Indianapolis: Hackett Publishing Company, 2001) 2nd ed.

³⁶ Ibid. 28. Boatright is quoting John Stuart Mill's *Utilitarianism*.

³⁷ Ibid. 7. DeGeorge

Cosmopolitanism needs to harness the business ethics literature in order to address more of the globally shared problems and to widen the field of business ethics.

The literature discussed in this paper highlights the point of contrast between philosophical business ethics literature as it currently exists, and what I intend to determine should be the new issues that critical business ethics literature should engage with in order to achieve the a cosmopolitan ideal.

Practical Business Literature

Business ethics are by their very nature applied, and as such can promote good actions among every participant. Many of the titles I review in this section agree on practical business approaches, such as the creation of codes of ethics or corporate ethic statements. Richard DeGeorge refers to these as “ethics in business sense of business ethics”—the every day ground rules that should be followed closely (he compares them to the Ten Commandments).³⁸ Codes of conduct are a somewhat more loosely followed set of tenets that tend to generalize behavior or attitudes that participants should share.

Business ethics as a field of study and theory has had to evolve with the business practice. Historical events, and especially those of the past century, have created important social movements in which business attitudes and practices had to accommodate to new laws and regulatory regimes. Issues addressed by such movements include race and gender discrimination, equal salary adjustments, privacy acts, health and safety, sexual harassment, affirmative action, unjust dismissal, and whistle blowing, among others.

Prevention and Correction in Business Ethics

Applied business ethics concern the individual employee. Thus much of the literature in this genre concerns itself with discussions of practical ethical recommendations and rules. Examples include titles like, *Eighty Exemplary Ethics Statements*, *The Business Ethics Activity Book*, and *Practical Business Ethics for the Busy Manager*,³⁹ which focus primarily on psychological traits and purport to develop a specific applied ethical behavior that is desired from the individual. However, as I noted above, business ethics has neglected to deal with social issues and social change from a preventive stance. The emphasis on corrective measures is illustrated in *A Pragmatic Approach to Business Ethics*, which states the

following in the introductory chapter: “The trouble with pragmatists is that they will get in bed with anyone.”⁴⁰ Here the author, Alex Michalos, shows the genre’s tendency to approach ethical matters in a simplistic manner. Although even tough, serious, pragmatic philosophers would have a hard time agreeing with his conclusion, I would argue that they would find it rather difficult to disagree with the practical literature’s tendency to over-simplify examples and conclusions.

Furthermore, business ethics literature has been almost constantly forced to engage in interpretative and corrective approaches to a sequence of events rather than occupying its attention in preventive analyses. These preventive analyses, which I refer to, would encourage the ethical theory to suggest significant philosophical changes in business practices. For the most part the corrective literature approach reflects a strong Western perspective in which the rights of the individual are much more important than those of a community.

This simplicity of corrective approaches can be attributed to the need for rapid and effective methods within the business world. Historically, business practices have been reactive, addressing malpractices such as fraud, abuse, and corruption, only after media attention or legal threats. Both situations pose a menace for corporate profits. Although a variety of proactive alternatives exist, one of the few that is discussed in the practical literature is whistle blowing. In either case, one might ask, are these actions ethical because they imply a duty for the individual? Does this remain the case regardless of the economical consequences for the same individual or others involved? How would whistle blowing as an ethical practice function without the appropriate laws that protects the whistle blower? Without these laws, would whistle blowing be still considered ethical?

Contemporary Ethical Issues in Business Ethics

These interrogations link to the very first question presented in this paper: What do we really mean by the expression “business ethics”? In their book, *Contemporary Ethical Issues*, John Dienhart and Jordan Curnutt talk about the common accusation of the late 1970s that the phrase “business ethics” was an oxymoron. They separate the phrase into its constituent components and note that “business is concerned with promoting self-interest” while “ethics is concerned with promoting the interest of others.”⁴¹ Ken Smith and Phil Johnson reflect a somewhat similar perspective in their book, *Business Ethics and*

³⁸ Ibid. 7. DeGeorge

³⁹ The titles mentioned here are used to exemplify some of the vocabulary that is use in specific titles and serve the purpose for the classification of practical business ethics in the section.

⁴⁰ Alex C. Michalos, *A Pragmatic Approach to Business Ethics* (London: SAGE Publications, 1995)

⁴¹ John W. Dienhart and Jordan Curnutt, *Contemporary Ethical Issues: Business Ethics A Reference Handbook*. (Santa Barbara, CA: ABC-CLIO, INC. 1998).

Business Behavior, noting the “hilarity at the naivety of the misnomer”⁴² of the term business ethics.

One of the problems with defining business as ethical (from a philosophical perspective) is that the business practitioner displays behavior patterns that cannot be determined to be ethical per se. This shortcoming limits the practical business ethics literature and in turn allows for business practitioners to engage in a dialectic of ethical relativism—practitioners encounter very little theoretical analysis in the literature, and that which they do read is for the most part considered impractical to apply to real-world situations.

Alex Michalos constructs a plausible counter-argument to this perspective:

1. In order for business or a market economy to exist, there must be some sort of community of potential buyers and sellers.

2. In order for a community of potential buyers and sellers to exist, there must be morality.

Thus, in order for business or a market economy to exist, there must be morality.

3. Anyone with an interest in preserving business or a market economy should help maintain those conditions, like morality, that are necessary for its preservation.

4. Businesspeople have such an interest.

Therefore, businesspeople should help maintain those conditions that are necessary for the preservation of business, including morality.⁴³

In this argument, every individual is seen as a “potential buyer and seller.” If we assume that the condition of being human is inherent to the argument, then perhaps the economic agenda for a business ethics would be to identify opportunities that can provide resources for the human beings who have yet to become “potential buyers and sellers.”

The practical business ethics literature is clearly concerned with daily practices in the business world. It has for the most part traced the ethical dilemmas of the business world through a path of social and economical “ifs” that ultimately establish the conditions for determining what is ethical. As a lawfully protected practice, whistleblowing has become one of the most important “ifs” through which people denounce ethical malpractice. The next section traces the historical development of whistleblowing in order to illustrate how business literature could find a new approach to ethics.

Whistleblowing

In the United States, government employees who report malfeasance are protected by the Whistleblower Protection Act of 1989. The Act is

⁴² Ken Smith and Phil Johnson, *Business Ethics and Business Behavior*. (Boston MA: International Thomson Business Press, 1996).

⁴³ Ibid. 34, Michalos.

enforced by the U.S. Office of Special Counsel (OSC) and defines a whistleblower as a person who contacts the OSC when he or she reasonably believes to have evidence of the

...violation of any law, rule or regulation; gross mismanagement; gross waste of funds; abuse of authority; substantial and specific danger to the public health and substantial and specific danger to public safety.⁴⁴

Although the Special Counsel’s office only has a specific jurisdiction over former, current, and future federal employees, the protection of government whistleblowers represents an achievement for business ethics literature and marks its influence over legislation. My intention behind this example is to illustrate how business ethics literature can define the scope of ethical actions and to calculus on which they are to be based upon. This is not a victory for business ethics per se. However, given that some lawful protection is provided for government employees after denouncing, it serves as an example for how the public good ought to be promoted.

Between 1980 and 1983 the Harvard Business School developed the case study approach to teaching. The business ethics literature soon adopted this approach so that it could analyze the past behavior of individuals, their decisions, and related outcomes. The Ethics Resource Center in Washington, D.C., created a case study resource list of 123 entries, the topics of which include whistleblowing.⁴⁵ The case study method has been a significant teaching tool for whistleblowing because it illuminates the commonalities among individual reporters and promotes whistleblowers’ successes, thereby encouraging other individuals to denounce unethical behavior.

Whistleblowing is one of the most difficult issues in business ethics practices because it generally involves the denunciation of an individual or a group of individuals who are well known to the denouncer. This situation can create an ethical dilemma for the denouncer because the process of accusation is viewed as a trespassing of loyalty and trust that will almost certainly cause a rupture in the relationship. According to Terance Miethe, author of *Whistleblowing at Work*, terms such as snitches, squealers, rats, moles, finks, stools, blabbermouths, tattletales, and others reflect the typically negative feelings shared by many towards those who report malfeasance.⁴⁶ Certainly such terms imply a

⁴⁴ U.S. Office of Special Council, “Whistleblowing”

Whistleblower Disclosures. Retrieved from:

<http://www.osc.gov/wbdisc.htm#overview> and

http://www.osc.gov/documents/pubs/post_wb.htm July 8, 2008.

⁴⁵ Ibid. 3. McHugh.

⁴⁶ Terance D. Miethe, *Whistleblowing at Work: Tough Choices in Exposing Fraud, Waste, and Abuse on the Job* (Boulder CO: Westview Press, 1999).

coarseness of feeling among the general public that has an inevitable impact on an individual reporter's personal and professional life.

The analysis of such phenomena, however, is best left to those in other professions. Instead, the focus here is to develop an understanding of the ways that practical business ethics literature has engaged with whistleblowing. What are the most common philosophical approaches to the topic? Technical definitions such as the one presented by Near and Micelle state that whistleblowing is the "disclosure by organization members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action." Their definition goes on to specify that the whistleblower "lacks the power and authority to make the change being sought" and so "must appeal to someone of greater power or authority."⁴⁷

A single example illustrates one of the problems with the literature. In Marlene Caroselli's *Business Ethics Activity Book* there is an activity entitled "Whistleblown in the Wind." It is a 20 minute exercise that is "based on real-world situations" and in which the participants will eventually discuss their course of action with a partner.⁴⁸ This basic activity purports to involve the revelation of ethics violations and both a legal and a "moral, and/or ethical"⁴⁹ discussion of said violations. However, while the text includes brief descriptions of "laws to protect" the whistleblowers, there is in fact no framework for the ethical discussion. In this type of exercise, the ethical component of the learning process is essentially nil. In other words, rather than educating business students on the ethics of whistleblowing, the literature revolves almost exclusively around the consequences suffered by those involved. It generally posits that denouncers will face social, if not financial, recrimination, and that the stock and stakeholders of a corporation will suffer disastrous damage to their economic bottom lines and reputations.

Why is there so little regard for an ethical theory of whistleblowing? Perhaps because whistleblowing is generally interpreted as an action intended to benefit the greater public. In attempting to understand the whistleblower's rationale, C. Fred Alford introduces the concept of an individual exhibiting "narcissism moralized." He posits that the whistleblower is willing to endure social judgment and repercussions for him- or herself and the ones around him or her due to a desire to strive for

wholesomeness, good, purity and perfection.⁵⁰ Would this "narcissism moralized" be an opening to an ontological approach to ethics? If we agree that it is the moral duty of the whistleblower to denounce, then the moral question for business practices would be to identify what constitutes the greatest good. Is it the good of the stockholders, the stakeholders, the professional future of the denouncer, or of some other entity or outcome? Given the conflicts of interest inherent in these categories, can the business practices structure handle a whistleblowing case strictly on the bases of ethical theory?

DeGeorge reminds us that we can identify a pattern in the approach taken by business ethicists that not only adds arguments, but strives to demonstrate "common sense judgment" that is "indeed correct." However, "what about the tools by which the morality of new issues could be intelligently debated?"⁵¹ Within economic justice perhaps the approach for whistleblowing would entail a broader global vision where the individual not only contemplates the possible consequences for the immediate stakeholders, but the implications for the global business practices structure and humanity as a whole.

The practical business ethics literature reflects a Western perspective in which the rights of the individual are valued more than those of society as a whole. The business ethics literature on whistleblowing emphasizes the presence of a legal platform or safety-net that, by protecting the individual, encourages the denouncer to engage in ethical practices: the denouncer is "safe" in reporting another individual or a group of individuals. Should cosmopolitanism propagate this Western emphasis on the individual? If we are to understand cosmopolitanism as a global ethic, the Westernization of such practical issues as whistleblowing will have to be modified to reflect a global justice that is inclusive of periphery countries and populations.

Conclusion

In order to try and make sense of the philosophical and practical business ethics literature, it was imperative to make a distinction between the social practice of business and the specific implications faced by individual in business practices. The analysis presented at the beginning of this document indicates that the philosophical aspect of the business ethics literature is not grounded upon the individual. Instead, the philosophical business literature tends to deal with collective aspects, circumstances, consequences, and impacts. The practical business ethics literature tends to deal with issues by

⁴⁷ Marcia P. Miceli and Janet P. Near, *Blowing the Whistle: The Organizational and Legal Implications for Companies and Employees* (New York, NY: Lexington Books Macmillan, 1992).

⁴⁸ Marlene Caroselli, *The Business Ethics Activity Book: 50 Exercises for Promoting Integrity at Work* (New York, NY: HRD Press, 2003).

⁴⁹ Ibid.

⁵⁰ C. Fred Alford, *Whistleblowers: Broken Lives and Organizational Power* (Ithaca, NY: Cornell University Press, 2001).

⁵¹ Ibid. 7 DeGeorge.

oversimplification and the application of “common sense” approaches to the ethics of the corporate environment.

Most of the books and articles considered in this analysis are key titles in the world of business ethics. Classifying the literature into philosophical and practical genres highlighted specific differences between the two categories and their theoretical frameworks. I argued that for the most part both genres fail to take issues of global social, economic and environmental justice into account that some business practitioners have endorsed for almost half a century. In fairness, however, the most recent editions of some of the titles reviewed herein have annexed a chapter or a section on the topic of international business ethics. However, “International” taken to foment and explain cultural differences, at some points, even environmentally aware. At no point is there a mention of economic justice in any of these sections or chapters.

One might question whether the business ethics literature, either philosophical or practical, is entitled to separate theories of ethics into “local” and “international” spheres. Interestingly, we can conclude that regardless of whether we answer that question in the affirmative or the negative, the current business ethics literature has neglected to recognize the ethics of economic fairness. However, one can also argue as to whether economic justice should be a concern of business ethics at all. The answer would have to be yes. Furthermore, do economic inequalities propagate the lack of ethics in business practices, or vice-versa? This is a new question that neither the practical nor the philosophical business ethics books address; they simply do not connect economic inequalities to the ethical practices of businesses at the local or global scales. It is time we do so.