

# BACKGROUND TO THE FOUNDATIONS OF BUSINESS ETHICS AS A UNIVERSITY COURSE: A SOUTH AFRICAN PERSPECTIVE

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## Abstract

In this article on the background of business ethics and business ethics education, the following important questions, discussions and issues will be addressed:

Firstly, a brief overview on the development of philosophy will be provided since business ethics can be viewed as a subdivision of philosophy. An exposition of how business ethics links with philosophy will (among others) be provided. Due to the fact that this article largely concentrates on the accountancy and auditing professions, referral will also briefly be made to how the so-called “professional ethics” of the concerned professions fit into the comprehensive discipline of philosophy.

The second aspect to be addressed will be regarding one of the main challenges in presenting business ethics courses, namely to keep the subject pragmatic and practically applicable – which may be difficult, possibly due to the discipline’s development from philosophy. If the pragmatic and practical focus is not maintained, business ethics may result in a mere philosophical and theoretical course that has little to do with ethical challenges encountered in the real accountancy profession and business world. Reasons are mentioned that may result in business ethics courses being irrelevant and impractical and therefore possible solutions to this problem are also suggested. Other challenges that may prevent lecturers from presenting business ethics courses in an optimal manner are also briefly discussed in this section.

**Key Words:** Business Ethics, Higher Education, Professional Ethics

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## 1. Introduction And Background

Humanity holds the highest order of all living creatures on earth. The reason for this can be ascribed to humanity standing at the top of intelligence and development of all species. The so called “sacred” writings of several of the largest religious schools of thought also acknowledge the preceding. In Christian writing, man (where there is referred to the masculine [e.g. man or he/his], the feminine [e.g. woman or she/her] is also implied, were applicable) is for instance described as the “crown” of creation. According to Christianity, man consists of different “dimensions” (body, soul and spirit) that also exalt humanity above the animal and plant kingdoms.

In connection with the above, it can be mentioned that man is a “thinking and searching” being. Concisely, it can be said that man is in search of the meaning of his life. In the following statement, the renowned French philosopher, Albert Camus (1955, p. 3), even went so far as to suggest that the search for meaning in life, is the only truly important concern in man’s life: “[t]here is but one truly serious philosophical problem and that is suicide. Judging whether life is or is not worth living amounts to answering the fundamental question of philosophy.”

From the preceding (without further debating the cynical, fatalistic statement by Camus), it is clear that the question as to what the meaning of life is, stands central to man’s existence (especially in the Christian tradition).

One of the most important aspects in the search of the meaning of life is probably man’s search for what constitutes right (good) and wrong (bad). Subsequently, the question can be asked as to where the search for what constitutes right or wrong originated. To answer this question with certainty is surely impossible. One of the main goals of the great religions of the world (e.g. Hinduism, Buddhism, Islam, Judaism and Christianity) is to teach followers of the religion what is right (“acceptable”) and wrong (“unacceptable”) through the concerned religion’s dogma, doctrines and “sacred” writings.

Apart from religious followers, philosophers probably played the greatest role in deliberating about e.g. what “right and wrong”, “good and bad”, “virtue and vice”, “meaning” and “truth” involves. Especially the ancient Greek philosophers such as Socrates, Plato and Aristotle made vast contributions in this respect. “Ethical conduct” is one of the most important pillars of any orderly, civilized and sustainable society. If “wrong”, “bad” and “vice”

within a society were to prevail and escalate, consequences such as chaos, deterioration, suffering and revolution would most likely culminate. The renowned philosopher, Thomas Hobbes, referred to life in such a degenerate society as “solitary, poor, nasty, brutish, and short” in his 1651 publication, *Leviathan*.

Business ethics is one of the many disciplines that flowed from the millennial old discipline of philosophy (Rossouw, 2004, p. ix). Similar to philosophy, business ethics is also concerned with the question of right and wrong, with the distinction that it focuses specifically on business and economic aspects.

Lovell (2005, pp. iii, 2) states that although ethics in business has been a concern for as long as trade and commerce have taken place, the development of business ethics as “a field of enquiry” did not effectively commence until approximately 1920. In this initial stage of the development of business ethics, the concerns were mainly focused around issues of corporate governance<sup>23</sup> (Lovell, 2005, p. 3). The reason for this can possibly be traced back to the factory replacing the home as the principal place of work, organisations’ sizes expanding to the extent that required managers (who were not members of the founding families or principal shareholders) to be appointed and the eventual establishment of limited liability companies during the mid-nineteenth century (Lovell, 2005, p. 1). Limited liability companies resulted in the split between management and ownership/shareholders (with management acting as stewards of shareholders’ money and other interests) and a possible conflict of interest, e.g. a member of management seeking to maximize self-interest (such as to spend excessive funds on personal benefits) at the expense of shareholders’ interest.

Business ethics as an academic field<sup>24</sup> was only established in the 1970s in North America (Lovell, 2005, pp. 6, 7). From North America, it spread to Western Europe and eventually the rest of the globe, including Africa (Serenko & Bontis, 2009, p. 391; Jeurissen, 2007, p. 9; Rossouw, 2004, p. xi), which makes it a relatively young academic field. According to Rossouw (2004, p. ix, xiii) “[i]n the process of

maturing as an academic field... [business ethics] is becoming more self-conscious about its development, identity and purpose... The process of maturation... will imply improving the quality and effectiveness of research, teaching and interaction and, finally, it will mean the institutionalization of the scope and activities in the field in ways that will promote the visibility and credibility thereof.” One of the maturity signs of an academic discipline is the existence of a set of discipline-specific, peer-reviewed journals that informs the academic community and practitioners about the existence of the particular scholarly domain and that offers a space where scholars can read new works, exchange ideas, share theories and accumulate references (Serenko & Bontis, 2009, p. 391; Wikipedia, 2012a). In 2009, sixteen academic journals dedicated to various aspects of business ethics existed, the most cited being *Journal of Business Ethics* and *Business Ethics Quarterly* (Serenko & Bontis, 2009, p. 395; Wikipedia, 2012a).

The main focus of this article falls on business ethics in South Africa, a region in which this field has only relatively recently been introduced<sup>25</sup>. With the establishment of business ethics as an academic field in the 1970s, a hot topic for debate in North America and Europe was whether it was ethical to invest in South Africa, where apartheid reigned at the time (Jeurissen, 2007, p. 9). Similar occurrences later took place in other African countries such as Zimbabwe and Libya, where international sanctions against regimes were instated as punitive measures against e.g. human rights violations and despotic governments (McVeigh, 2012; Cooper & Landler, 2011). The South African economy flourished in certain spheres due to sanction pressure on the former apartheid regime. The most well-known example is probably the establishment of Sasol and the fact that South Africa became the world leader in the field of oil production from coal (Dubey, 2007, p. 1). Sasol could, however, not provide in all of South Africa’s former fuel requirements and “resourceful unethical practices” were invented by the apartheid government to circumvent international sanctions and oil embargos.

South Africa’s achievements in the fields of accountancy and auditing are remarkable, especially considering the fact that the country was excluded from global accounting integration and was academically isolated during the 1980s due to international sanctions aimed against the country’s apartheid policy (Verhoef, 2012, p. 25). Although the standard of South Africa’s accounting and professions does not seem to have suffered due to the

<sup>23</sup> The relationship between corporate governance and business ethics (for definitions of business ethics refer to sections 2.1 and 2.2.4) is clearly discernible in the description of corporate governance by Ramachandran (2007): “Corporate Governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions... [It] is concerned with the ownership, control and accountability of companies, and how the corporate pursuit of economic objectives relates to a number of wider ethical and societal considerations.”

<sup>24</sup> The distinguishing features or characteristics of an “academic field” can be found in Rossouw, 2004, pp. xii – xiii.

<sup>25</sup>The first, and as far as could be established, still only peer-reviewed journal on the African continent dedicated to the specialised field of business ethics, was only established in 2004 (AJoBE, 2009). The *African Journal of Business Ethics* (AJoBE) is the official journal of the *Business Ethics Network of Africa* (BEN-Africa) (AJoBE, 2009; BEN-Africa, 2012).

consequences of apartheid, South Africa's development in the field of business ethics possibly did suffer and lag behind due to apartheid, since apartheid was essentially also an unethical economic and social practice. However, South Africa did later achieve much success on the front of corporate governance (refer to footnote 1 for an explanation of the relationship between corporate governance and business ethics), which can mainly be ascribed to the work done by the King Committees on Corporate Governance in South Africa.

During approximately the same period that apartheid came to an end, the Institute of Directors in Southern Africa (IoDSA) established the King Committee on Corporate Governance with former Supreme Court judge, Mervyn King, as chair (IoDSA, 2011; Stewart, 2010; King, 2012). King viewed this as an opportunity to educate and provide guidance to the newly democratic citizens of South Africa on the best practice for operating in a free economy (Stewart, 2010; Wikipedia, 2012b). Since its establishment, the King Committees has authored the King I (1994), King II (2002) and King III (2009) Reports on Corporate Governance (Stewart, 2010; IoDSA, 2002; IoDSA, 2009; IoDSA, 2011). According to the IoDSA (2011) "*[t]he first King Report was recognised internationally, when published, as the most comprehensive publication on the subject [of]... corporate governance*". King III has been described by Sir Adrian Cadbury, as "*the future of corporate governance*" (Malan, 2010; Stewart, 2010).

After 1994, the South African government attempted to incorporate many of the principles of good corporate governance into legislation (e.g. the Companies Act, No. 71 of 2008, the Public Finance Management Act, No. 1 of 1999 [PFMA] and the Municipal Finance Management Act, No. 56 of 2003 [MFMA]) as minimum legal requirement of compliance<sup>26</sup> (Lubbe, 2012; PwC, 2010, p. 2; RSA, 1999; RSA, 2003; RSA, 2009). Compliance to the principles of King III is also a listing requirement for companies on the Johannesburg Stock Exchange (JSE, 2012; IoDSA, 2009, p. 4).

From the above, it is clear that corporate governance and business ethics have a significant influence on auditors and accountants. The work performed by auditors and accountants are, amongst others, concerned with companies' compliance to listing requirements of the JSE and the Companies Act, No. 71 of 2008 and government's compliance to the PFMA and MFMA (regarding the South African context). Since it is thus necessary for accountants and auditors to possess thorough knowledge of

corporate governance and business ethics, these professionals should be educated in the principles and practical application of these fields. These facts were also the main reasons for pleas for change needed in accounting education, specifically in the form of broadening the accounting curriculum by including courses such as business ethics<sup>27</sup> and the ethics education requirements of International Federation of Accountants (IFAC)<sup>28</sup> and the South African Institute of Chartered Accountants (SAICA)<sup>29</sup>.

## **2. Philosophy, Ethics, Applied Ethics, Business Ethics And Professional Ethics – An Overview**

### **2.1 Introduction**

As mentioned in the title, this section of the article concerns philosophy, ethics, applied ethics, business ethics and professional ethics. For the purposes of this article and by way of introduction to this section, the relationship between these five disciplines can be presented as follows schematically:

<sup>26</sup> Refer to Lubbe (2013, pp. 27 – 31) for details on the seemingly downwards spiral in South Africa from the initial political will and strong ethical leadership that appeared after 1994 which made it possible to fight corruption and fraud through firm corporate governance (Lubbe, 2012).

<sup>27</sup> For a detailed discussion on this topic refer to Lubbe (2013, pp. 76 – 83).

<sup>28</sup> For further details on this topic refer to Lubbe (2013, pp. 87 – 101).

<sup>29</sup> For further details on this topic refer to Lubbe (2013, pp. 101 – 106).

**Figure 1.** Diagram of disciplines relevant to the study



The above schematic representation is merely a theoretical outlay for the purposes of this article. The lines of partition between these five disciplines and what they constitute are not always clearly set and overlapping between disciplines do occur. The schematic representation and its components can be explained briefly as follows:

Philosophy can be described as the “mother discipline” from which the other four disciplines developed. Moreover, in academic literature, philosophy (which is essentially the search for “wisdom” and “truth”), is generally regarded as the foundation of all disciplines. This is for instance illustrated by the “inner workings” of other disciplines being called the “philosophy of” the specific discipline e.g. the “philosophy of science” and the “philosophy of history” (Pigliucci, 2009). As further illustration can be mentioned the title of D.F.M. Strauss’s magnum opus on philosophy significantly titled, *Philosophy: Discipline of the Disciplines*, which was awarded with the *Herman Dooyeweerd Prize* by the Vrije Universiteit Amsterdam (SA Akademie, 2011; Strauss, 2009).

The word “ethics” is etymologically derived from the Greek word “ethos”, which means “character” or “manners” (Skorupski, 2003, p. 203; BBC, 2012). Simplistically stated, ethics is a system of moral principles that is concerned with what is “good” for the society as well as individuals, affecting how people make decisions and lead their lives (BBC, 2012). General ethical questions are for instance, “how does one lead a ‘good’ life” and “what is virtue”.

Since the twentieth century, many areas of human activity have been subject to ethics, or more specifically, applied ethics (Haldane, 2003, p. 490). According to Lane (2012) “*applied ethics is the branch of ethics that asks relatively concrete questions about the morality of specific controversial actions and policies.*” Sub-branches of applied ethics include, for instance, business ethics, environmental ethics, “bioethics”, “genethics”, and gender ethics (Haldane, 2003, p. 490). For purposes of this article, the only sub-branch of applied ethics to be focused on is business ethics. General questions on applied ethics can, for instance, include whether abortions, capital punishment or the generation of nuclear power are ethically justifiable (Van Wyk, 1985, p. 1).

As business and economics have increasingly become key driving forces in contemporary societies, the urgency to ensure that they develop in the “right direction” has also increased (Enderle, 2003, p. 531). Business ethics (being the main focus of this article) is thus a sub branch of applied ethics, concerned with business and economically related ethical issues. A general business ethics questions can, for instance, deal with whether Broad-Based Black Economic Empowerment (B-BBEE) and the manner in which it is applied in practice in South Africa, is ethically justifiable.

Professional ethics (e.g. medical ethics or journalism ethics) plays a governing role, which is influenced by the nature of the profession, its place in society and the resulting application of general ethical principles to the profession (Skorupski, 2003, p. 203). If professional ethics are not viewed as an earnest

matter by members of a profession, there is a high risk that members of the profession may act unethically and unprofessionally, which may lead to reputational damage to and loss of public trust in the specific profession as was, for instance, the case with the accounting and auditing profession - specifically the "Big Five" audit firm, Arthur Andersen, due to the Enron scandal<sup>30</sup>. A general professional ethics question with the regard to the auditing professional can, for instance, be whether an auditor should be allowed to lead an audit of a company if the auditor's parents are the majority shareholders in the company.

Subsequently, the five "disciplines" of (and including) philosophy set out in schematic representation 1 and briefly discussed above will be considered in more detail.

## 2.2 Philosophy

### 2.2.1 Introduction

The etymological origin of the term "philosophy" is derived from the Greek word "philosophia" - the roots "phileo" and "sophia" respectively meaning "to love," and "wisdom" (McKeon, 1964, p. 239; Kimura, 2006, p. 1). In ancient Greece, a person who devoted himself to "logos"<sup>31</sup> was considered a "lover of wisdom", hence the term "philosopher" (Palmer, 2006, p. 2).

Before the ancient Greek philosophers began attempting to explain natural phenomena based on reason and evidence, the traditional, mythological approach, that attempted to explain natural events in terms of supernatural origins, reigned (Berg, 2012; IEP, 2012; Palmer, 2006, p. 2). In the case of the ancient Greeks, this involved tracing natural events (such as lightning) to the capriciousness of the gods of Mount Olympus (e.g. lightning supposedly being a weapon of Zeus) (New World Encyclopedia, 2008; Berg, 2012). Through the fertile imaginations of poets such as Homer and Hesiod, mystic epical narratives that explained, among others, the origin of the world and the genealogy of the gods, were created (New World Encyclopedia, 2008; Palmer, 2006, p. 5). The ancient Greek philosophers, however, attempted to

discern patterns and principles that could uniformly, consistently, and comprehensively explain natural phenomena in terms of natural causes (New World Encyclopedia, 2008; Berg, 2012). Palmer (2006, pp. 6, 7) states that "*these early Greek philosophers... tended to demote cosmogony (theories about the origins of the world) and promote cosmology (theories about the nature of the world). This new direction represents the beginnings of a way of thinking that the Greeks would soon call 'philosophy'.*"

Socrates (469-399 BCE), an imperative figure in philosophy, made a principal contribution in shifting the central focus of philosophy from cosmology to ethics and morality (New World Encyclopedia, 2008; Berg, 2012). He considered the study of "natural philosophy" and the materialistic worldview as futile compared to seeking a real and true understanding of the highest values in life, which one needs in order to live a "good", "worthy" life according to the highest ethical standards (New World Encyclopedia, 2008; Berg, 2012; Kimura, 2006, p. 1). Socrates did not agree with the Sophists, specifically Protagoras (as quoted in *Theaetetus* by Plato) that "man is the measure of all things", nor did he agree with the "natural philosophers" and the value they attributed to materialism, which eventually led to the modern materialistic ideology according to which "*man and money are the measure of all things*" (Van der Ploeg, 1959, p. 4; quoted by Malan, 1984, p. 6), (Palmer, 2004, p. 1; Palmer, 2006, p. 54). Instead, Socrates attached value to "virtue" and pursued virtue through self-examination and self-reflection of which the aphorisms "*the unexamined life is not worth living*" and "*know thyself*" (commonly attributed to Socrates) are indicative. One of the central themes/theories of Socratic ethics is that "virtue is knowledge".

Socrates was born during a period when a cultural shift towards placing high value on political power (as opposed to the study of cosmology) was taking place in Athens (Van Bart, 2002; Palmer, 2006, p. 48). The pursuit of political power and the study of rhetoric (which was an imperative "skill" for politicians of that era who relied mainly on their oral persuasiveness to gain public support) were widespread (Palmer, 2006, pp. 5, 6). The demand for instruction in rhetoric and the means to achieve political success gave rise to a group of philosophers known as Sophists, who travelled from city to city and charged admission to their lectures (Van Bart, 2002; Smith, 2009, p. 31; Palmer, 2006). The word "Sophist" is derived from the Greek word "sophia", which, as mentioned, means "wisdom". However, the word "Sophist" adds a negative connotation to wisdom and has come to mean "wise guy", as in someone who thinks he is smarter than others or someone who is clever but ethically questionable (Palmer, 2006, p. 48; Smith, 2009, p. 30; Evans, 2010, p. 232). The Sophists' lectures were not on the nature of reality or truth but instead they instructed

<sup>30</sup> For more regarding the Enron scandal refer to Lubbe (2013, p. 8) and for elaboration on loss of trust in the accountancy and auditing professions refer to Lubbe (2013, pp. 8, 37 - 38, 72 - 75 and 91 - 101).

<sup>31</sup> According to Palmer (2006, p. 2) "[t]he Greek word 'logos' is the source of the English word 'logic' as well as all the '-logies' in terms like 'biology,' 'sociology,' and 'psychology,' where 'logos' means the theory, study, or rationalization of something. 'Logos' also means 'word' in Greek, so it involves the act of speaking, or setting forth an idea in a clear manner. 'Logos,' therefore, designates a certain kind of thinking about the world, a kind of logical analysis that places things in the context of reason and explains them with the pure force of thought. Such an intellectual exercise was supposed to lead to wisdom..."

their students in what would most likely lead to political success (which of course is not necessarily “truth”) e.g. the nature of power, eloquence and persuasion (Palmer, 2006, pp. 48, 49; Van Bart, 2002; Smith, 2009, p. 31; Evans, 2010, p. 232). According to Van Bart (2002) this led the deterioration of the objective standard of the truth that ended in socio-political and moral decay.

Socrates pursued that which is universally “good” and “true” and without subjective agendas such as gaining political power (Van Bart, 2002). In a non-violent manner, he revolted against the value system of his contemporaries and the teachings of the Sophists. According to Palmer (2006, p. 56), Socrates queried every person he met on the streets and market places of Athens on whether that person knew anything, while Socrates himself ironically professed to know nothing. This dialectic investigation led to so-called “Socratic dialogues” (that was later published by Socrates’s student Plato) in which Socrates’s discussion partner came to new intellectual and moral insights through Socrates’s guidance (Van Bart, 2002; Palmer, 2006, p. 56; Evans, 2010, p. 234).

Socrates’s questioning of the then existing structures, by which he offended many of the powerful figures of Athens, resonated especially with the youth, since Socrates was an inspiration and source of knowledge for them (Palmer, 2006, p. 57; Van Bart, 2002). Herein resided the core of the accusations (teaching false doctrines, impiety and corrupting the youth) of which Socrates was unjustly found guilty and sentenced to death (Van Bart, 2002; Palmer, 2006, p. 58; Evans, 2010, pp. 229, 239; Smith, 2009, p. 11).

The teachings of Socrates are still known today due to Socrates’s most renowned student, Plato (427-347 BCE), who recorded the Socratic dialogues (Evans, 2010, p. 229; Smith, 2009, p. 11). The important role that Plato has played in the history of philosophy is depicted in the well-known quote by the mathematician Alfred North Whitehead (1979, p. 39) stating that all of Western philosophy “consists of a series of footnotes to Plato” (Pigliucci, 1999). Plato’s *Crito*, takes the form of a dialogue between Socrates and his friend, Crito, in Socrates’s prison cell during the last days before his execution (Evans, 2010, p. 229). Socrates refuses Crito’s offer to finance his escape from prison and explains why he has to accept Athens’ death sentence (Pigliucci, 2011; Wikipedia, 2012c). According to Pigliucci (2011) Socrates stated that “*he owes his life and all he has been able to do to the fact that Athens is governed by the Laws, and that it would therefore be unfair for him to disobey the Laws when it is no longer convenient to follow them, even though the citizens of Athens are thereby about to commit an injustice. Essentially, Socrates is saying that he is party to a social contract, and that he is bound by it even when things don’t go well for him.*” Socrates kept to his principles and drank the hemlock, and as stated by

Palmer (2006, p. 58) in death becoming “*the universal symbol of martyrdom for the Truth*”.

The foundation of the university system in the western world is widely attributed to Plato, who founded a school of learning in 387 BC in Athens which he called the “Academy” (European Graduate School, 2012; Palmer, 2006). This further facilitated the search for “meaning” and “truth” through wisdom as this quote by Ochs (1982, p. 467) (as quoted by Botha, 1987, p. 65): “*Education is the transmission of wisdom and of the means of achieving wisdom... [and] subjecting received wisdom to critical discussion and pragmatic testing.*” According to a biography of Plato by the European Graduate School (2012) “*Plato hoped the Academy would provide a place where thinkers could work toward better government in the Grecian cities*”.

Except for his contribution to the university system and education, Plato also made a considerable contribution to political philosophy, as the preceding quote alludes to. In Plato’s seminal work, the *Republic*, the importance of only highly and properly educated ‘guardians’, being endowed with state authority, is emphasized (Brown, 2003, p. 607; Johnson, 2009, p. 8). According to Kemerling (2011) “*Plato held that guardians should own no private property, should live and eat together at government expense, and should earn no salary greater than necessary to supply their most basic needs. Under this regime, no one will have any venal motive for seeking a position of leadership, and those who are chosen to be guardians will govern solely from a concern to seek the welfare of the state in what is best for all of its citizens.*” Plato was hundreds of years ahead of his time if one takes into consideration that his “guardians” reminds one of the roles that independent, non-executive directors should play in a company according to the *King Report on Corporate Governance* (King III).

### 2.2.2 Subdivisions of Philosophy

As can be deduced from the pre-Socratic philosophers’ emphasis on nature and physics, it is difficult to make a distinction between “science” and “philosophy” during the pre-Socratic period of Western philosophy (Pigliucci, 2009; Palmer, 2006, p. 8). Science in fact originated as a branch of philosophy, namely “natural philosophy” (Berg, 2012; New World Encyclopedia, 2008; IEP, 2012; Pigliucci, 2009). However, in the modern world, science and philosophy are two distinct fields of study (Pigliucci, 2009).

Broadly speaking, science deals with the study and understanding of natural phenomena (Palmer, 2006, p. 8; Pigliucci, 2009). Science is further concerned with empirically (either observationally or experimentally) testable hypotheses that should account for those phenomena (e.g. explaining how natural laws are causally related to natural

phenomena) (Palmer, 2006, p. 8; Pigliucci, 2009). Philosophy, on the other hand, deals with problems that require a speculative approach through conceptual analysis (the logical scrutiny of general ideas) rather than an experimental approach through observation or data gathering (Palmer, 2006, p. 8; Pigliucci, 2009). Professor Massimo Pigliucci (2009) of the City University of New York, states that it should be noted that although philosophy and science are seen as two distinct activities that work by different methods, *“they inform each other in an inter-dependent fashion (science depends on philosophical assumptions that are outside the scope of empirical validation, but philosophical investigations should be informed by the best science available in a range of situations, from metaphysics to ethics and philosophy of mind).”*

The main fields within the comprehensive field of philosophy include, but are not limited to, the following:

- Ontology - the theory of being;
- Epistemology – the theory of knowledge and the limits to our understanding;
- Axiology – the theory of value, which includes
  - Ethics, or moral philosophy – the theory of “right” behaviour;
- Logic – the theory of rational thought and correct inference (Palmer, 2006, p. 8; Pigliucci, 2009).

This article however only focuses on ethics, as will now be further discussed.

### 2.2.3 Ethics And Applied Ethics

The terms “ethics” and “morality” are often used interchangeably. In South Africa, reports on the “moral-ethical” crisis in the country and the country losing its “moral compass” appear on a regular basis (SAPA, 2012; Raga & Taylor, 2005, p. 11; Shumba, 2011, p. 88). Bowie & Schneider (2011, p. 2) state that *“[a]cademics often distinguish between morality*

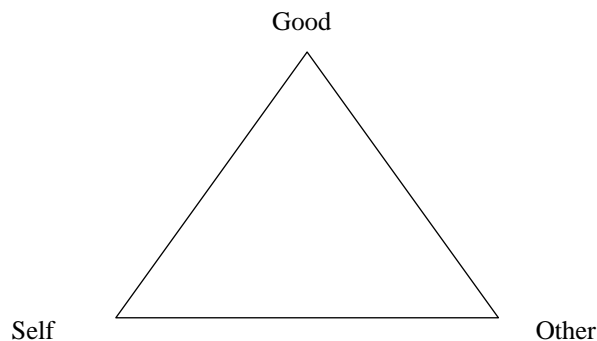
*and ethical theory – ‘morality’ being the social practices that define right and wrong and ‘ethical theory’ being the field that aims to discover how people determine what’s right and wrong. But most people consider the two terms to mean the same thing.”* In the handbooks of Rossouw, et al. (2010, p. 17) and Rossouw & Van Vuuren (2010, p. 4), being the two handbooks that are mostly prescribed for business ethics students in South Africa, the same conclusion as Bowie & Schneider is reached and the two terms are also used as synonyms. Thus, in this article, the terms “ethics” and “morality” and their derivative forms may be used interchangeably.

Literally thousands of definitions for “ethics” exist, but for purposes of this study, the following three definitions will be considered:

- a.) According to Velasquez (2006, p. 8) *“ethics is the study of morality”*. This definition relates well with the preceding discussion about the interchangeability of the terms “ethics” and “morality”.
- b.) Bowie & Scheider (2011, p. 10) defines ethics as *“the code of moral standards by which people judge the actions and behaviours of themselves and others.”*
- c.) The definition of ethics that is probably most well known in South African tertiary business ethics education, is the definition according to Rossouw & Van Vuuren (2010, pp. 4, 5): *“Ethics concerns itself with what is good or right in human interaction. It revolves around three central concepts: ‘self’, ‘good’ and ‘other’. Ethical behaviour results when one does not merely consider what is good for oneself, but also considers what is good for others. It is important that each of these three central concepts be included in a definition of ethics.”*

These three “central concepts” to ethics can be schematically represented as follows (Rossouw & Van Vuuren, 2010, p. 5):

**Figure 2.** The three central concepts to ethics



Source: Rossouw & Van Vuuren, 2010, p. 5; Rossouw, et al., 2010, p. 18

In the above definition c.) and the schematic representation 2, the reciprocation between “self” and “other” is simplistic. It represents interaction

between, for instance, two or more individuals, institutions, business enterprises or countries. However, for the purposes of business ethics the main

concern is whether this “interaction” is “good”/“bad” or “right”/“wrong”.

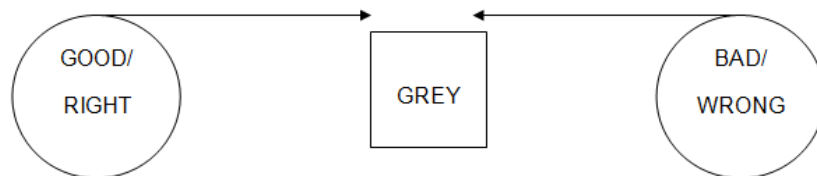
In 1970, the American economist and Nobel Prize laureate, Milton Friedman, published his seminal paper *The Social Responsibility of Business is to Increase its Profits* in the *New York Times Magazine*. Herein Friedman relied upon (and might even have abused) ethical reasoning (specifically the concept of “corporate social responsibility”) to defend his position in favour of a capitalist-based market economy (Lovell, 2005, p. 5). In the paper he came to a similar conclusion as the Harvard history professor, Henry Adams, who stated that “[m]orality is a private and costly luxury,” (Maxwell, 2003, p. 7).

Similar to Friedman, ethical reasoning and cultural relativism has been abused by the previous South African government, certain Islamic governments and the Communist government of the Soviet Union to justify respectively apartheid, the disparagement of women’s rights, and basic human rights violations (Zechenter, 1997, pp. 319, 322). Even the atrocities of the holocaust perpetrated during the Second World War were “justified” with ethical and cultural relativistic reasoning (Zechenter, 1997, p. 319). Also, Socrates was unjustly found guilty and sentenced to death due to the shamelessly tortured ethical reasoning, unsupportable claims and insinuating his guilt by association (Van Bart, 2002; Palmer, 2006, p. 58; Evans, 2010, pp. 229, 239; Smith, 2009, p. 11; Brickhouse & Smith, 1989, p. 66; Siegel, 2001).

Ethics is not a simple matter of something being either “right or wrong” or “good or bad”, nor simply a set of “universal rules” that can be applied to all relevant situations. Numerous practical ethical dilemmas are too complicated for such simplistic quick-fixes. As an example can be stated the case of lying: telling a lie is commonly agreed to be “wrong”, but if a person lies in order to save another person’s life, the act of lying may be seen as acceptable (even though it is generally still agreed that telling the truth is regarded as “good”). This illustrates that a.) a general ethical principle, such as “one should not lie”, cannot consistently and mindlessly be applied in all cases where relevant ethical reasoning is needed and b.) an action that is generally regarded as “wrong”, such as lying, may be seen as “good”, dependent upon the specific circumstances under which the action were performed.

When the border between “right” and “wrong” are unclear, as in the above example on lying, it results in ethical “grey” areas. These ethical “grey” areas are especially common in applied ethics due to the use of casuistry. Casuistry (also known as case-based reasoning) is the application of *general* ethical principles to *particular* cases and is often used as a critique of principle- or rule-based reasoning (Dictionary.com, 2012; Princeton University, 2012). Ethical “grey” areas and casuistry can be further elucidated with the following schematic representation:

Figure 3. “Poles” of ethics



In the above schematic representation, the two circles can be seen as the two extreme “poles” of good/right and bad/wrong. Certain actions are seen as good/right regardless of people’s differing traditions, religions and cultures. Examples of such universally approved, good/right deeds would be to offer a poor person, which may starve of hunger, a meal, or to help an elderly, blind person to safely cross a busy street. This can be contrasted to the bad/wrong acts of brutal murder or rape which is universally disapproved of and unacceptable. The closer one moves to the middle, away from the two ethical “poles” just mentioned, the more “grey” and less explicitly good/right or bad/wrong a deed may become. As an example, the ethically ambiguous practice of polygamy in both the forms of one husband having many wives (polygyny) and one wife having many husbands (polyandry) can be mentioned.

Some of the reasons that unethical practices are perpetrated under the cover of “ethics”, are because of the abuse of this “grey” area, casuistic reasoning and cultural relativism. According to John Maxwell (2003, p. 8) “[m]any people choose to deal with... situations by deciding what’s right in the moment, according to their circumstances. That’s an idea that gained legitimacy in the early 1960s when dr Joseph Fletcher, dean of St. Paul’s Cathedral in Cincinnati, Ohio, published a book called ‘Situation Ethics: The New Morality’. In it he said that right is determined by the situation, and love can justify anything – lying, cheating, stealing... even murder. Since the 1960s, situational ethics has become the norm for social behaviour. After spreading rapidly through the worlds of education, religion and government, it has penetrated a new area – the business world. The result is ethical chaos. Everyone has his own standards, which change from situation



to situation... Where once our decisions were based on ethics, now ethics are based on our decisions.”

This further illustrates the complicated matter of ethics: although the application of ethics should not be strictly rule-based, every person cannot create his/her own relativistic ethical standards either.

#### 2.2.4 Business Ethics

According to Bowie & Schneider (2011, p. 10) business ethics is “the application of a moral code of conduct to the strategic and operational management of a business.” Rossouw (2004, p. xii) describes business ethics as “any discourse about the ethical dimensions of business”. It is often stated that “business ethics” is a contradiction in terms because an inherent conflict exists between ethical conduct and the self-interested pursuit of profit (Velasquez, 2006, p. 5). However, according to Maxwell (2003, p. xi) “[t]here is no such thing as business ethics – there’s only ethics. People try to use one set of ethics for their professional life, another for their spiritual life, and still another at home with their family. That gets them into trouble. Ethics is ethics. If you desire to be ethical, you live it by one standard across the board.”

There exists a big difference between business ethics practice and business ethics theory (Bowie & Schneider, 2011, p. 1). Just as it is not the case in ethics, in business ethics it is also not that case that “the only thing that is needed to come to a moral decision when faced with a moral choice is to apply a legitimate moral rule to that specific situation and then deduce the appropriate moral response from that moral rule,” as stated by Rossouw (2004, p. 44). Philosophers who are involved in teaching business ethics are often criticized for allegedly favouring a rule-following approach to business ethics (Rossouw, 2004, p. 44).

#### 2.2.5 Professional Ethics

Professional ethics focuses mainly on understanding the historical development of professions and the difference between professional and non-professional occupations, the nature, typical structure and value of professional and disciplinary codes of conduct for the profession and compliance with technical standards (Taylor, 2011, pp. 37 – 40; IFAC, 2010, p. 55, SAICA, 2010, pp. 139-143). Professional ethics within the accounting and auditing professions also deals with well known concepts within business ethics such as professional behaviour, independence, scepticism, accountability, confidentiality and public expectations (IFAC, 2010, p. 55). Since the focus of this article falls on business ethics, professional ethics will not be addressed in further detail.

### 2.3 Keeping Business Ethics Courses Relevant, And Other Challenges to Business Ethics Educators

A business ethics course should be presented in a pragmatic and practically applicable manner so that it does not result in a mere philosophical and theoretical course that has little to do with ethical challenges encountered in the real accountancy profession and business world. According to an article by Bennis and O’Toole (2005, p. 96) in the Harvard Business Review (quoted by Diamond & Robison, 2008, pp. 2, 9), business schools and the education provided by them are increasingly criticised for their lack of curricular relevance to the present-day economic and social market and their failure to translate business knowledge into applicable, useful skills. The same shortcomings may come to (or all ready do) exist in certain business ethics courses presented to accountancy and business majors at South African universities.

There are numerous reasons that may result in business ethics courses being irrelevant and impractical. One of the reasons includes that business ethics lecturers (especially at accountancy departments in South Africa) are seldom experts in the specialised field of business ethics. Mostly, either a chartered accountant (CA) or a philosopher presents the course (Lubbe, 2013, p. 142).

Generally, CAs have been soundly grounded in the narrow, highly-specialised received sufficient exposure to formal training in philosophy, ethics, business ethics, accounting history and the social and ethical implications of accounting and business to make them truly knowledgeable about business ethics and confident in presenting the course at tertiary level (Massey & Von Hise, 2009, p. 492; Merino, 2006, pp. 377, 378). Philosophers, on the other hand, normally have undergone specialised training in philosophy and ethics, but mostly have limited knowledge of business, management and the accounting and auditing professions. Bennis and O’Toole (2005, p. 104) (quoted by Diamond & Robison, 2008, p. 9) argue that to be really effective, “business schools need a diverse faculty populated with professors who, collectively, hold a variety of skills and interests that cover territory as broad and as deep as business itself.”

Many accounting faculties seem to fail to recognise the value of business ethics education, dismissing it as a nonessential<sup>32</sup> component of a

<sup>32</sup> In South Africa, business ethics is not regarded as one of the four, sole “traditional” third year and Certificate in the Theory of Accounting (CTA) subjects (namely financial accounting, cost and management accounting, taxation and auditing) although within tertiary accountancy programs, business ethics is often regarded, presented and assessed as a subcategory of auditing. (Passing CTA is one of the

program in accountancy (Russel & Smith, 2003, p. 49; Chu & Man, 2012, p. 125). Merely requiring students to take business ethics because it prescribed as part of the syllabus by SAICA<sup>33</sup>, will not serve the course's purpose and in fact may cause much harm, especially if the course is taught in a perfunctory manner by educators whose main interests lie elsewhere (meaning with one of the four "traditional" subjects in an accountancy program, as named in footnote 10) (Bowen, 1960). In all likelihood, such educators would also prefer the "traditional" technical method of lecturing on "how to" (which they would perhaps feel more comfortable with)<sup>34</sup> instead of, for instance hosting a debate with the students on "why" (which may be a more suitable method to present business ethics) (Chu & Man, 2012, p. 125; Nelson, 1995, pp. 70, 71). According to Nelson (1995, p. 70. 71) "*[i]t is neither overly time-consuming nor difficult to present a technical lecture filled with official rules to be memorized, assign students to read a detail-laden text and to do some highly structured exercises for homework, then test students' abilities to parrot back what they memorized with exam questions that always have a single, correct answer.*"

The above scenario can be contrasted with educators engaging students in social critique that raises provocative questions about the role of accounting in present-day society and that challenges students to be both experts and critics<sup>35</sup> (Merino, 2006, p. 375). Educators who present business ethics lectures like this – away from the notions that there is "always only one correct answer" to every question, may help improve accountants' skills to reason about and deal with complex and original questions and situations in which ambiguity and uncertainty are involved - such as ethical dilemmas (Nelson, 1995, p. 65). A business ethics classroom offers indefinite opportunities to cultivate students' ethical reasoning and behaviour by encouraging debate about business ethics issues and the social implications of

accountancy (Smith, 2003, p. 49). This kind of debate should also encourage students to read media articles on a regular basis, so as to stay current with and informed about real-world ethical issues that are of concern to the business world and accountancy profession. This may help ensure that business ethics does not remain a mere theoretical subject that lacks relevance to what is actually taking place in the world, but that instead focuses on pragmatism and practical applicability.

Subsequently, a few challenges that may prevent lecturers from presenting business ethics courses in an optimal manner will be discussed briefly (although such challenges probably justify a dissertation in itself). According to Nelson (1995, p. 71) (converted to Chu & Man, 2012, p. 125), because critical thinking takes students out of their comfort zones, most educators who have experimented with innovative teaching methods designed to improve students' skills, find that teaching evaluations suffer. As a result of student evaluations possibly inhibiting innovative teaching methods, educators have an incentive to "play it safe" (Nelson, 1995, p. 71; Chu & Man, 2012, p. 125).

Strait and Bull (1992, p. 69) (cited by Chu & Man, 2012, pp. 124, 125) explain that the reward structure in the current accounting educators market places a premium on research over teaching and that as a result, faculty members at many institutions would be committing academic suicide to devote substantial time and effort to a major curriculum project. Without further discussing the topic in any detail, it should, however, be noted that it appears that the preceding situation is peculiar to the university system in the USA and that it is not traditionally applicable to accounting departments at South African universities. An extremely close relationship exists between the professional body, SAICA, and accountancy departments at SAICA-accredited South African universities. Over the years, this may have led to South African accountancy academics being too involved in highly specialised technical training and education of prospective CAs, while the volume and quality of research output suffered the consequences of neglect.

Other important challenges that may act as disincentives for lecturers to present business ethics courses optimally are, according to Meyer (2010, p. 5), "*the large classes in university business faculties with the highest student to staff ratios ... difficult[ies] for universities to fill vacancies in accounting and finance... heavy teaching and preparation loads, increased level of administration [and] limited time and support for research*". To this Diamond & Robinson (2008, p. 10) add university salaries, which cannot compete with salaries offered by noteworthy firms, and a shortage of faculty graduating from PhD programs as challenges.

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admission requirements to write SAICA's qualifying professional examinations).

<sup>33</sup> Refer to Lubbe (2013, pp. 101 – 106) for more detail on SAICA's requirements for business ethics courses in SAICA-accredited university programs.

<sup>34</sup> According to Nelson (1995, p. 71) (cited by Chu & Man, 2012, p. 125) accounting educators probably favour teaching in a technical manner, because "*they have not been adequately prepared to teach in a non-technical manner. In fact, the vast majority of accounting PhDs have received little or no formal training in how to teach in any manner... It seems ironic that kindergarten teachers have more formal training in learning processes and pedagogy than do accounting professors. Perhaps the difficulty in convincing accounting faculty that they need to teach writing, speaking, critical thinking and learning-to-learn in their classes stems from a feeling that they are not qualified to teach such skills.*"

<sup>35</sup> Refer to Lubbe (2013, pp. 84 - 86) for more detail on this topic.

### 3. Conclusion

From the preceding sections, it is clear that terms such as “philosophy”, “ethics”, “applied ethics”, and “business ethics”, and to a lesser extent “professional ethics”, are very hard to define, (and maybe even undefinable ) partially due to the comprehensive range of concepts that are implied by these terms. Ethics can, for instance, be the measure of virtually every dealing and interaction between individuals, countries, institutions, etc. Taking this into consideration, it is not surprising that the eminent philosopher, Pigliucci (1999), perhaps tongue-in-cheek, used words of a well-known USA court judgement to elucidate the “indefinableness” of philosophy when he stated the following: *“Philosophy is difficult to define precisely, but - as American Justice Potter Stewart once famously said of pornography - one recognizes it when one sees it”*.

One of the main challenges in presenting business ethics courses is to keep the subject pragmatic and practically applicable – which may be difficult, possibly due to the discipline’s development from philosophy. If the pragmatic and practical focus is not maintained, business ethics may result in a mere philosophical and theoretical course that has little to do with ethical challenges encountered in the real accountancy profession and business world. In section 2.3, reasons are mentioned that may result in business ethics courses being irrelevant and impractical and therefore possible solutions to this problem are also suggested. Other challenges that may prevent lecturers from presenting business ethics courses in an optimal manner, are also briefly discussed in this section.

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