

5.4: Are the Values Central to Business Ethics Universal?

Learning Objectives

By the end of this section, you will be able to:

- Explain the difference between relative and absolute ethical values
- Discuss the degree to which compliance is linked with organizational responsibility and personal values
- Identify the criteria for a system of normative business ethics
- Evaluate the humanistic business model

One of the perennial themes in business ethics—indeed, in ethics in general—is the difference between relative and absolute values. Is it possible to identify a set of universal values that is consistent across cultures and time? We might begin with always honoring the terms of a contract, consistently treating customers and partners with honesty, and never cheating. Where could we go from there? No matter our culture, geography, or time, could we identify some basic normative behaviors to govern business conduct in general?

Absolute Values versus Relative Values

To put this question another way, is there a set of **universal values** that all can endorse? Are there “human values” that apply everywhere despite differences in time, place, and culture (Figure 5.7)? If not, and if ethical standards are relative, are they worth having? Again, the UN Universal Declaration of Human Rights is a useful starting point for the way business can conduct itself. Let us look at how it is possible to align business with human rights in such a way that both profitability and responsibility are honored across the globe.



Figure 5.4.7: The pursuit of happiness is as near a universal human trait as we can find. It is not a coincidence that it appears in the American Declaration of Independence (1776), which was written by Thomas Jefferson and inspired by the British Enlightenment philosopher John Locke. However, the nature of human happiness is subjective. For example, everyone must eat to survive, but not everyone would agree that eating chocolate-raspberry cake brings happiness. (credit: “Happiness Is a Piece of Cake Close Up Photography” by Antonio Quagliata/Pexels, CC0)

According to the Union Internationale des Avocats, an international, nongovernmental association of legal professionals, corruption “corrodes the democratic principles of accountability, equality, and transparency. It poses an extremely high cost to the citizenry, it saps the credibility of government and it places companies under an unbearable economic burden.”²⁶ The UN Convention Against Corruption has called corruption “an insidious plague” that exists everywhere and “hurts the poor disproportionately by diverting funds intended for development, undermining a Government’s ability to provide basic services, feeding inequality and injustice and

discouraging foreign aid and investment.”²⁷ Corruption appears to exist everywhere, so it would seem to require a persistent and consistent answer everywhere. Can business ethics provide one?

Business ethics exists on three levels: the individual, the organizational, and the societal. At the organizational and societal levels, laws, regulations, and oversight can go a long way toward curtailing illegal activity. Business ethics motivates managers to (1) meet legal and industry governing and reporting requirements and (2) shape corporate culture so that corrupt practices such as bribery, embezzlement, and fraud have no place in the organization. In the ideal case, the organization’s culture never allows the latter, because scandals not only damage reputations but they make companies and countries much less attractive to investors. Corruption is expensive: According to the World Economic Forum, no less than \$2 trillion is lost each year worldwide as a result of corruption, a staggering waste not just of resources but of credibility for business in general.²⁸

At the individual level, when corruption takes place, it is a matter of conscience. Corruption can be defeated only by individuals acting in accordance with their conscience and being supported by systems and corporate culture that encourage such action. Transparency, whistleblower programs, ethics training, and modeling of appropriate behavior by upper management can create the conditions for employees to act ethically, but conscience is a personal phenomenon. So, although the work of national, regional, and international organizations can limit corruption through enforcement and the prosecution of cases (as was the case with the revelation of the so-called Panama Papers), corruption will not be reduced in any significant way unless efforts have been made to form individual conscience and teach practical ways to act on it.

link to learning

Read the [article “Perspective: Panama Papers and ‘responsible’ journalism” on the Panama Papers and how journalists might hold the corporate world to account in cases of fraud and corruption](#) for a detailed explanation.

Although ethical practice has been directly influenced by religion, as noted, ethics is not religion and religious belief is not a prerequisite for a commitment to business ethics. For example, although what constitutes ethical behavior in Islamic society is strongly linked to religious values, secular philosophers can endorse a highly developed commitment to commercial ethics, too. Furthermore, most religions have high ethical standards but do not address many of the problems faced in business. And although a good system of law incorporates ethical standards, the law can and sometimes does deviate from what is ethical. Finally, in the same vein, ethics is not science. The social and natural sciences provide data to make better ethical choices, but science cannot tell people what they ought to do (nor should it).

Absolute values do exist. Abstaining from cheating customers, defrauding clients, lying, and murder are fairly objective ethical values; the reason for making any exceptions must be carefully laid out. Ethical systems, whether utilitarian, rights based, or based on natural law and virtue ethics, are attempts to translate absolute values like these into workable solutions for people. From these systems has emerged a basic set of ethical norms for the business world.

Business Ethics and Compliance

A hallmark of any profession is the existence of ethical guidelines, often based on values like honesty, integrity, and objectivity. Organizational responsibility is fairly straightforward: Comply with applicable local, state, national, and international regulations. Compliance can be an immense task for industries like aerospace, pharmaceuticals, banking, and food production, due to the large number of employees involved, the certification of them that sometimes is necessary, and the requisite record keeping. Still, legal requirements are usually clear, as are the ways an organization can exceed them (as do, for example, companies such as Whole Foods, Zappos, and Starbucks). Personal responsibility is a different matter. It is either less clear what to do or harder to do it because of constant pressure to increase the organization’s profitability and the perception that “everybody else is doing it.”²⁹

In the United States, companies spend more than \$70 billion annually on ethics training; worldwide, the figure is more than double that.³⁰ Unfortunately, in the United States, much of this money is spent on merely meeting the minimum requirements of compliance, so that if there is ever a problem with the Department of Justice or the Securities and Exchange Commission, the organization is insulated from criticism or liability because its employees have engaged in the recommended training. Federal Sentencing Guidelines for felonies and serious misdemeanors now carry mandatory prison time for individual executives who are convicted. These guidelines also are designed to help organizations with compliance and reporting, and they introduce seven steps toward that end: (1) create a Code of Ethics, (2) introduce high-level oversight, (3) place ethical people in positions of authority, (4) communicate ethics standards, (5) facilitate employee reporting of misconduct, (6) react and respond to instances of misconduct, and (7) take preventive steps.

Many organizations focus on the letter of the law so that they can claim “good faith” in their effort to create an ethical environment. However, middle managers and employees often complain their ethics training consists of passing a computerized sexual harassment or fraud program once a year but that nothing is done to address issues in a substantive way or to change the culture of the organization, even those that have experienced problems.³¹ The focus still seems to be on organizational responsibility and compliance as opposed to individual responsibility and the formation of ethical conscience. We might argue that it is not the business of business to form people in their conscience, but the result of not doing so has become expensive for everyone concerned.³²

The damage done to an organization’s or government’s reputation due to scandal can be enormous and long lasting. The 2017 conviction for bribery and embezzlement of Lee Jae-yong, heir to the Samsung electronics empire, was part of a widespread corruption scandal that brought down the president of South Korea. Bribery was also at the heart of the FIFA (Fédération Internationale de Football Association) corruption scandal, in which soccer officials, marketing executives, and broadcasters were accused of racketeering, wire fraud, and money laundering by the U.S. Department of Justice in 2015. The Volkswagen emissions scandal also began in 2015, when the Environmental Protection Agency cited the German automaker for violating the Clean Air Act by cheating on emissions tests. To date, the fallout has cost the company nearly \$30 billion in fines.

As the LIBOR (London Interbank Offered Rate) scandal, in which banks were manipulating rates to profit from trades, showed, ethical breakdowns often occur because systems fail or people make bad decisions, and sometimes both. In the case of LIBOR, the United Kingdom’s Serious Fraud Office determined there were inadequate systems of oversight in the setting of rates and that individual executives encouraged rate fixing, which led to the conviction of several traders, at least one of whom still maintains his innocence.³³ The result was a staggering \$6 billion cumulative fine for the banks involved (i.e., Barclay’s, J.P. Morgan Chase, Citicorp, Royal Bank of Scotland, and Deutsche Bank).³⁴

link to learning

Read this [article on the LIBOR scandal and the consequences](#) for an in-depth overview.

If there is anything to be learned from these scandals, it is that organizations will succumb to ethics crises if they do not pay attention to their organizational culture and foster their employees’ growth as moral beings. This is even more important in industries like banking that are more susceptible to unethical behavior because of the great sums of money that change hands. Compliance is important, but business managers must attempt to go above and beyond to clearly model and enforce the highest standards of ethical behavior.

Normative Business Ethics

Normative business ethics should address systemic issues such as oversight and transparency as well as the character of individuals who make up the organization. Human flourishing may not be the immediate concern of business, but managers and employees have a significant impact on business performance. Giving employees common-sense advice and training in practical ways to counter unethical behavior, as well as ethical role models at the top of the organization, can be more effective than prevention. There are programs that do this, such as “Giving Voice to Values” at the Darden School of Business at the University of Virginia.³⁵ These programs are effective for their ability to help individuals act on their principles. As effective as they may be, however, they beg the larger question not of how someone can act on what their conscience tells them but how to determine what their conscience is telling them in the first place.

One model of ethical behavior, sometimes called the **humanistic business model**, may provide the answer for businesses that wish to achieve the dual goal of human flourishing and responsible profits. In this model, organizations focus on employees as a vital part of the operation and support them in their professional training, health care, education, family responsibilities, and even spiritual concerns. Leaders create positive relationships with stakeholders, including their employees, to cultivate investor goodwill and because they believe in the underlying values of trust and authenticity. The influence of positive psychology is evident, and there is much to commend in this kinder approach to the job of management that makes an effort to establish “sustainable human welfare.”³⁶ However, happy employees are one thing; the human flourishing identified by Aristotle and John Stuart Mill is quite another. What, then, is missing from humanistic business?

The problem is that if anything flourishes in this model, it is often the business rather than the employees. After all, free enterprise has the interests of the enterprise at heart. But employees are human beings first, which means any attempt to improve their welfare must begin by thinking of them as human beings rather than as employees. How can businesses do this?

One alternative is to put the humanities into business. Businesses currently rely heavily on data analytics, algorithms, and statistical analyses to drive decision-making. The use of these tools is often backed by social science research in consumer behavior, behavioral finance, and cognitive studies. But looking to the humanities to understand business is an opportunity to engage business in subjects and ideas that have a tremendous, if often overlooked, impact on people. After all, literature that has stood the test of time can provide tremendous insight into human behavior, and Homer or Shakespeare may be more relevant to contemporary executive leadership than a business seminar on how to motivate employees.

In fact, we could argue that anything that makes an impact on people should legitimately be within the scope of business. Richard DeGeorge (1933–) of the University of Kansas describes what adding the humanities to business education entails:

““Students do not need psychosociological jargon in their business interactions. They do need to understand people and their motives, to know how to read and judge character, and to have the ability to imagine themselves in another’s shoes, be they those of a competitor, a boss, or a subordinate. For those dedicated to the case method, novels, short stories, and plays offer an inexhaustible storehouse of riches, more detailed, subtle, and complete than most cases written up for courses.”³⁷”

In DeGeorge’s humanities model, business ethics would not prepare students to *do* certain things, for which they likely will be trained by their employers, but to *be* certain persons. DeGeorge suggests that “a course in the philosophy of business would enable students to think about the foundations of business—its values, ends, purpose, and justification . . . philosophy could add a critical element to business education, an element that would keep business education always alive and prevent it from becoming an accepted, orthodox ideology.”³⁸

Finally, if normative business ethics is to recognize and, ultimately, be based on the individual, it must address another human trait: bias. Intellectual, emotional, and social biases affect all decision-making, including those of an ethical nature. Some bias is good, as in having a favorable disposition toward those who work hard in intellectually honest ways. Bias also rewards those who support and nurture the best elements of a culture, whether corporate, social, or political. But it becomes dangerous when people use it to blind themselves to the reality around them, reinforce hardened positions even in the face of contradictory evidence, and shirk their responsibility as moral beings.

An example of bias occurs when employees engage in unethical activity because it has been sanctioned by higher-ups. They abdicate personal responsibility by assigning blame elsewhere. However, no amount of rationalization of the fear of job loss, financial pressure, desire to please a supervisor, and the rest, can justify such behavior, because it diminishes **moral agency**, the self-awareness, freedom, and ability to make choices based on our perception of right and wrong. And such agency needs to be at the heart of business ethics. After all, we cannot make a commitment to serve customers, develop leaders, and improve life for all stakeholders unless there is freedom and moral agency, the necessary ingredients in establishing an attitude of concern, that is, respect for oneself and for others, including all appropriate stakeholders.

ETHICS ACROSS TIME AND CULTURES

“What’s Love Got to Do with It?”

Philosopher and historian Martin Buber (1878–1965) taught that love is not a feeling but a responsibility of one person for another. Feelings may come and go, but the solidarity that people have with each other and the care they take with one another define them as human beings (Figure 5.8). Thus, love, as responsibility, depends on relationships based on good faith and concern. Business, too, is about relationships. Without a relationship of trust, there can be no exchange of goods or services upon which economies are built.

Many people question the place of love in a business setting. When seen from Buber’s perspective, however, love is not an idyllic feeling but a driving force for justice and care. This does not deny the need for profit and financial success. It simply emphasizes the other side of the twofold purpose of business (profit and responsibility). In fact, John Mackey, the founder of Whole Foods, has said that love has been the basis of his success in business, which translates into care and concern for customers beyond profit and for workers beyond productivity (Figure 5.8).³⁹



Figure 5.4.8: If there is anything that transcends time, place, and culture, it is love. The search for a universally applied set of ethics always comes back to it. But what does love look like in a business setting? (credit: “Love Is All You Need Signage” by Jacqueline Smith/Pexels, CC0)

Recall the statement by IBM quoted earlier in the chapter: “[IBM] remain[s] dedicated to leading the world into a more prosperous and progressive future; to creating a world that is fairer, more diverse, more tolerant, more just.”⁴⁰

Critical Thinking

- Can Martin Buber’s notion of love play a role in business? What would that look like?
- What responsibilities do companies have regarding justice and care? Should business ethics be grounded only on more concrete tenets? Why or why not?

This page titled [5.4: Are the Values Central to Business Ethics Universal?](#) is shared under a [CC BY 4.0](#) license and was authored, remixed, and/or curated by [OpenStax](#) via [source content](#) that was edited to the style and standards of the LibreTexts platform.