



## ethical dilemmas unit 10

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### *Prospect for a business ethics*

IT is over 25 years since Peter Drucker wrote his famous tirade against Business Ethics, describing it as nothing more than politicized casuistry ('What is "Business Ethics"?' *Public Interest* 63 Spring 1981: 18–36). According to Drucker, there is no such thing as business ethics; there is only ethics, which applies equally to everyone.

We have argued, on the contrary, that the roles and responsibilities that one assumes when one enters the business arena create ethical dilemmas which would not have arisen otherwise. Ethics is only ethics. But that does not excuse us from acknowledging the fact of business as a domain which overpowers all our lives, giving rise to questions and demands which no-one can ignore. The aim of business ethics is to find a rational way to reckon with the ethical consequences of that massive fact, just as the aim of political philosophy is to find a rational way to reckon with the fact of the state.

Our working assumption has been that the primary aim of philosophy is indeed to understand the world, not to change it. Any perceived necessity for change can arise legitimately only through understanding. It doesn't require understanding to throw a brick through a window. Effective action can only come from a knowledge of underlying causes. In the case of the business world, the *fact*, as we have discovered, has a *logic* and the logic dictates the essential structures of power and responsibility, what can be effectively changed and what cannot.

The view that we have argued for is that there is not, and can never be a *theory* of business ethics, in the true sense. There is no generally accepted, articulated body of principles and rules which tell you how to behave in

business. Manuals of business ethics are useful as a source of problems and examples, to stimulate thinking about ethical questions. They are not moral recipe books or reliable guides to action in every conceivable circumstance. That is because ethics itself is not a body of knowledge but a *process*. It resides in people and their capacity for rational judgement, rather than in books or on tablets of stone. Ethical judgement is a skill we all must acquire on pain of not being human.

However, there is wide recognition that ethical judgement in business requires something more, for the very reason that the problems and challenges that arise in the business arena are not part of the practical training we received in school or at our mother's knee. That is why we study business ethics.

To understand business ethics you have to understand business. One of the most significant obstacles to progress in this field is that not everyone does know what business is about. I suspect that this is what lies behind Drucker's impatience with the general public and with legislators making unreasonable demands based on prejudice or ignorance, or seeking to exercise undue political influence on the decisions that companies make. Having said that, it is also true, in a deeper sense, that business people themselves do not always understand business. They do not fully grasp, from a philosophical perspective, what they are or what they do. A business ethics can be no more, or less, than a philosophy of business.

### *The limits of ethics*

We set out on this investigation with the question, What is it to be a *wise judge* in matters of business ethics? We have learned a great deal about what a wise judge is *not*. But what about the positive things that can be said, that would enable a business person, earnestly seeking knowledge and enlightenment, to acquire wisdom?

Any book of business ethics will teach you that it is wrong to lie or steal, that you must keep your promises and your contracts, that you should not betray confidences, that you should act responsibly with other people's money, that you should not take unfair advantage of your position, or act against the interests of your employers or shareholders. Yet we have discovered in studying ethical dilemmas that arise in business that one will inevitably encounter situations where we are forced, in one way or another, to compromise our principles; or where we cannot do 'the right

thing'; or where – with the best will in the world – we cannot find a way to decide what is the right thing to do.

One of my students remarked that the difficulty in grasping the idea that not all ethical questions are capable of a single unequivocal answer may in fact be culturally determined:

**For some cultural /physiological reason our minds seem to be set up in such a way that unique and unequivocal answers to problems, dilemmas etc. are required to maintain our mental balance; this is particular obvious in occidental thinking. It seems that oriental people have developed a reasoning that allows one to accept even contradicting lines of thought side by side without having to necessity to resolve the differences straight away.**

The Chinese philosopher Lao Tzu's classic work *Tao Te Ching* is perhaps the best – certainly the most quoted – example of the style of thinking which accepts the notion of 'contradicting lines of thought side by side' without attempting to resolve them. The author shows an exquisite sense of how our rough language is far too imperfect a tool for addressing the most profound questions of conduct or the nature of existence.

It was indeed Aristotle, one of the founders of Western Philosophy who first formulated the logical law known as the 'law of non-contradiction'. The philosopher Hegel, described in popular histories of philosophy as having 'put into question' the law of non-contradiction, merely refined that law as a tool of reasoning. When you are faced with the apparent dilemma: 'Choose P, or choose not-P,' be aware that more than one possibility may be encompassed by the broad alternatives: 'P, not-P'. That is all that the 'Hegelian dialectic' amounts to. Human knowledge is refined through a succession of 'either-ors'. Each time we make the cut, each time we roughly sort the alternatives into those that seem to fall under the concept 'P' and those that seem to fall under the concept 'not-P', other unthought of possibilities reveal themselves which put into question that very conceptual classification.

That may be true of metaphysics, or even science, but that is not what we discover in ethics. There is no answer 'in reality' to a true ethical dilemma, no clever way of thinking it through logically or dialectically until one reaches a satisfactory conclusion, agreeable to all. Ethical dilemmas are *without answers*, in a profound sense. Suppose that there were someone up there watching over us: an all-knowing God or

recording angel; it is idle to speculate on whether or not *they* know the answer, because even if they did, they would not be able to explain their reasoning to us mere mortals.

How, knowing and believing this, can you still go ahead and make an ethical decision? What Promethean audacity does it take to assume responsibility for the benefits or harms accruing to other human beings as a result of one's actions? What it takes, is courage. Not the courage of conviction, where one acts in the smug belief that one is in the right and one's actions cannot be criticized, but rather the courage to face up to the unknown and the unknowable; the courage to be judged and found wanting even though one's conscience appears to be in the clear.

The French philosopher Emmanuel Levinas writes somewhere that the starting point for ethics is the realization that our very being in the world is a net deficit so far as the rest of the human race is concerned, a deficit which we have a permanent obligation to make good. The food that you eat, is food unavailable to satisfy another person's hunger. The very space that you occupy, cannot be occupied by another person. In short, we are all called upon to *justify* our very existence through ethical action. That does not necessarily imply an ethics of total self-sacrifice. Right from the start, we have accepted that self-interest has a rightful claim alongside ethics. There may indeed be no limit to ethical obligation, once you start looking for it; but there is no legitimate demand that one should keep looking forever. Courage is required, not only to be ethical, but also to know when to say, 'enough is enough'.

#### *The focus on persons*

To pose the question, 'What is a wise judge in matters of business ethics?' is to shift the focus from individual acts to persons. Even if we cannot say, for certain, whether or not a particular action is ethically right, there is much that we can say about what makes a person good, or wise, or – to use the jargon increasingly favoured by contemporary ethicists – what is it to 'possess a virtue'.

Virtue ethics traces its lineage back to the Ancient Greek philosophers, and in particular Aristotle. Alasdair MacIntyre in his seminal work *After Virtue* names Nietzsche, diligent student of Aristotle, as one of the

foremost philosophers of virtue ethics. Nietzsche, who abominated talk of 'morality', who argued ceaselessly against the idea of a Kantian Categorical Imperative and pithily described the Platonic concept of the Good (in his brilliant short book *Twilight of the Idols*) as 'the last fumes of evaporating reality' seems a strange choice for an ethical authority. It is not coincidental that Nietzsche's thought is also held to be one the influences on Ayn Rand's 'virtue of selfishness'.

In business ethics, those of a more conservative inclination have latched onto the idea of the 'virtues of the business person' as somehow offering a justification and vindication of business activity – as if one were needed. The business ethicist Tibor Machan has offered the suggestion that the primary 'virtue' of the business person is the virtue of *prudence* (Tibor Machan, 'A Brief on Business Ethics', *Philosophy for Business* Issue 1, 2 November 2003). In my article 'The Business Arena' I remark:

**Tibor Machan argues the case that the good which commerce strives to fulfil 'is the virtue of prudence, which requires of us all to take reasonably good care of ourselves in life.' This seems to me a rather narrow and instrumentalist view. The business arena provides the opportunity to practice all the Aristotelian virtues -- including temperance, justice, courage and magnanimity.**

**Geoffrey Klempner 'The Business Arena'  
*Philosophy for Business* Issue 5, 7th March 2004**

However, I then go on to contrast the Aristotelian virtues with 'ethics in the full sense':

**Ethics, as I understand it, is based on the *I and thou* relationship, on unlimited obligation and unconditional love and respect for the other. This tension cannot be resolved by attempting to cobble together a 'business ethics' in the accepted sense of this term. There can be no compromise between unconditional obligation and the limited obligations that hold between players in the business arena.**

**That hasn't stopped philosophers from trying anyway. The only result that can be achieved by adopting this muddle-headed strategy is an ethics which is too demanding for the business arena, and insufficiently demanding outside that arena. While those who have seen clearly that compromise is**

**impossible have either gone the hopeless way of Karl Marx -- or, at the opposite extreme, Ayn Rand.**

**(ibid.)**

The point here is not to contrast the self-interest of the player in the business arena with the alleged 'altruism' of the non-player. We all have the right to be self-interested, regardless of whether or not we regard ourselves as players in the business arena. In any case, we are all players to some extent, simply by virtue of the fact that by accepting gainful employment or making purchases for our needs we recognize the institution of money, and all that that implies.

Nevertheless, it remains the case that ethics is unlimited, while the ethics of the business arena is limited by the boundary line that we ourselves have created in order to make the activity of business possible. You can't do business – any more than you can participate in a sport – unless you are prepared to accept the possibility of victory or defeat, and all that victory or defeat brings. The essence of business is *contest*: to the winner go the spoils. In the business arena there is no room for saints – only for heroes.

### *Skills and virtues*

In standard texts on ethics, the category of 'saints and heroes' falls under the heading, *supererogatory actions*, actions which are not required as a moral duty but which show exceptional moral virtue. As the above remark about saints and heroes implies, there is scope for acting 'above and beyond the call of duty' both outside and inside the business arena. Whether you find yourself on the outside or on the inside, there are opportunities to demonstrate exceptional virtue by your actions. But on an everyday level, how important are virtues in the business arena, really?

It is prudent to realize that sometimes you have to do things which you don't like or which you find unpleasant in order, in Tibor Machan's words, to 'take reasonably good care of ourselves in life'. It is prudence which reminds us to visit the dentist for our routine checkup, or which prevents us from splurging on an expensive consumer item while the gas and electricity bills remain unpaid. Entering into business is a way of making a living, because everyone needs money to live. In these terms, the prudent choice when deciding between a well-paid position in

business and a badly paid position doing work that you enjoy is to bite the bullet and choose the well-paid job.

It would seem to follow from this reasoning, that the best that can be said of the business arena is that it is a *necessary evil*. Is that true? Or can there be such a thing as a *vocation* to be a business person?

The truth is, that both attitudes are equally possible. You can enter the business arena reluctantly and stoically, or gladly and enthusiastically. There is no common denominator. And for whatever reasons that you find yourself there, you will encounter the same ethical dilemmas. You will be judged – and, if you care, you will judge yourself – on your ethical performance as well as your financial success or contribution to the financial success of your company.

This tells us something. Being a good negotiator or communicator, being an effective organizer, being an inspirational team leader, knowing how to win the confidence of a potential customer or how to close a sale are all valuable attributes of a business person. Relatively few persons have them all, but thanks to the division of labour one solid business attribute is enough to enable you find your niche. They are skills and accomplishments to take pride in. But they are not *in and by themselves* ethical 'virtues'.

Curiously, the very same alternative – or dilemma – can be found in those called upon to fight for their country. You can join the armed forces as a conscript or as a volunteer. It is tempting to go so far as to say: in both arenas, business and war, you can be *good at what you do* and yet lack the attributes of a wise ethical decision maker.

On second thoughts, surely not. So long as what you do includes making ethical decisions, you can't do your job well if you fail ethically. It is not as if being a good soldier is just being good with a bayonet or a gun. The primary imperative of the soldier, as one British General bluntly put it, is to *offer yourself up to be killed*, to put yourself in the line of fire for the sake of what you believe. Courage, stoicism, temperance, obedience, loyalty are essential to good soldiering. Of course, possessing these ethical virtues is not sufficient. You need some skill as well. – The same can be said, *mutatis mutandis*, about those who choose to join battle the business arena and place themselves in the firing line.

## *The business virtues*

We have leaned rather heavily on the analogy between conducting business and soldiering. But are there any distinctive business virtues? I said that the skills and accomplishments listed above – negotiating, communicating, organizing, leading, winning confidence, selling – are not 'in and by themselves' ethical virtues. Yet they all have a prominent factor in common: they are all *people skills*.

You can display the virtues of a soldier in isolation from the rest of humanity – as the stories of Japanese soldiers stranded on Pacific islands for years after the end of World War II testify. Isolated from human contact, you can still display a soldier's courage in surviving against the elements. You can keep a diligent watch for the enemy, even if no enemy is in fact there. But you can't *be* a business person on a desert island, at least, not without a Man Friday.

The people skills may not themselves be virtues, but they connect directly to virtues. If you are an effective communicator, you can use that power of communication to tell the truth or spread lying propaganda. You can win a person's deserved confidence, or you can play the confidence trickster to your benefit and their detriment. Even this does not tell the whole story, because it can be argued that the ability to relate effectively to other people, even if it does not logically imply ethics, is greatly facilitated by the capacity for entering into ethical relationship. It is much harder, other things being equal, to set out ruthlessly to use people and succeed in doing so, than it is to set out to treat people ethically. Most of the time, and in most situations, human beings have a finely tuned capacity for detecting when they are being exploited or used.

Mark McCormack in his best-selling book *What They Don't Teach You At Harvard Business School* makes a powerful case that business is about people:

**Whether it is a matter of closing a deal or asking for a raise, of motivating a salesforce of 5000 or negotiating one-to-one, of buying a new company or turning around an old one, business situations almost always come round to people situations. And it is those executives with a finely tuned people sense, and an awareness of how to apply it, who invariably take the edge.**

**Mark McCormack, *What They Don't Teach You At Harvard Business School*, p. 11**

Though McCormack consistently advocates the view that success goes hand in hand with treating others ethically, we have already conceded that the truth is that success does not always go to the ethically virtuous. There are unethical ways to 'gain the edge' as well as ethical ways. The gangsters of the business world continue to prosper. But the point is, *we don't have to be like them.*

The debate between the advocates of 'virtue pays' and 'virtue for its own sake' is beautifully illustrated in the 1996 film *Jerry Maguire*. Tom Cruise plays the idealistic sports agent fired from his firm for daring to circulate a memo urging his colleagues to be 'more honest' in their dealings with their clients. Thrown out in the cold and reduced to representing one client, a difficult, argumentative American football player under threat of being dropped by his team, Maguire is determined to succeed the ethical way. And he does.

McCormack started out as a sports agent in the 60's. His first client was the star golfer Arnold Palmer. McCormack's business grew into the major international sports and entertainment empire IMG as the result, he argues, of practising the principles of honesty and respect towards all those he did business with. The sports men and women he represented knew that he would never act against their best interests for the sake a quick profit. (There has been some speculation as to whether the fictional character of Jerry Maguire was in fact inspired by McCormack himself, although McCormack denies any knowledge of this, and was not consulted at any stage during the making of the film.)

*Jerry Maguire* is heart-warming and also inspiring because we all like to believe that the business person who accepts the challenge of ethical relationship – who sees the people they collaborate with, compete with, sell to as real individuals worthy of respect rather than mere objects to be manipulated – will succeed in the long run. Outside of Hollywood, sadly this does not always happen. Virtue doesn't always pay. Nevertheless, a lot of the time, enough of the time, it does. If you are determined to succeed the ethical way, you have a good shot at success. Surely, that is sufficient motivation.

Nietzsche would have looked askance at the democratic and egalitarian spirit of modern business. In our defence, we could point out that the egalitarianism is largely based on pragmatic considerations rather than the ideology of 'herd morality'. Meritocracy is a better, more efficient system for generating profits than aristocracy. Indeed, in recent times business people have become increasingly obsessed with performance evaluation. Those who *know* and those who only think they know are quickly sorted out. The dead wood is thrown overboard. The high performers are rewarded strictly according to results.

This is cruel in a different way from Medieval times, when the lowly born lived a life that was indeed, 'nasty, brutish and short'. The serfs who worked the land were slaves to their occupation. But at least they knew they would eat, so long as the corn grew in the fields. Now we have mortgages and wage slavery, and flustered managers struggling to achieve performance targets.

Life is cruel. The gifted and talented get struck down with cancer, or mugged in the street. There is no antidote or cure for the brute fact of luck, which decides the success or failure of many a business venture, which governs the distribution of natural talents, and which ambushes us when we least expect it just when everything was going so well – or badly.

Ethics is for all. And business ethics – ethics as applied to the business arena – is for all business people. Most of those striving to carve out a career in business will never make it to the top, or anywhere near the top. The chances for great virtue in the Nietzschean or Aristotelian sense are not that frequent. But it is the small virtues that determine the atmosphere of day-to-day business life: treating people decently and with due consideration, being generous with your time and your advice, patience when others less skilled than you make mistakes, a preparedness to tolerate people whose attitudes you dislike but whom you must get on with in order to get the job done.

Not because it is efficient, although it may well be; but because it is *right*. When the lives of human beings are involved, it is against the spirit of business ethics to strive for efficiency at *all* costs. For all that means is that nothing ultimately has any value for you or your company except making a profit. Economic thinking is always important and indeed indispensable, but it is not the be-all and end-all. Enough profit is enough.

The rewards are not just financial. Earlier, I somewhat rashly remarked that the 'prudent' thing to do is choose a well-paid job over an badly-paid job that you enjoy. But that begs the question how important happiness in your work is to your sense of well-being. If gaining enjoyment and a sense of fulfilment from what you do is very important to you, then consulting prudence in the widest sense you will not go for the money.

Loyalty is one of the business virtues, but we have a duty to remain loyal to our friends and colleagues, no less than to our company. Many business people make life-time friends through their work. Accept, then, as a necessary consequence of this fact that sometimes your loyalties will be split, and there is no magic solution which will get you out of that fix.

We are all decision makers, even if our decisions have relatively minor repercussions compared to decisions made in the Board room. Minor they may be, but in our world and from our perspective they are significant for us. There is no walking away. If it is your bad luck to be faced with a dilemma then accept that you are being put to the test and make your best judgement – or, failing that, your best guess.

It is a gift to be able to discern the simple structures underlying the appearance of complexity. I have argued that ethics is complex *in reality* and not just appearance, yet it is complex in a way which does not put it beyond the comprehension of ordinary people. We don't need ethical authorities to hand down rules or codes of conduct from on high. We have it within ourselves to act and judge things from an ethical point of view, to strive to be good *in business*.