Business ethics is a form of applied ethics (see the article metaethics). Business ethics deals with ethical rules and principles within a business or commercial context, the various moral or ethical problems that can arise in a business setting, and any special ethical duties or obligations that apply to persons who are engaged in commerce, including workers and managers, customers and suppliers, and the larger group of people who have some interest in the business.

In the increasingly conscience-focused marketplaces of the twenty-first century, the demand for more ethical business processes and actions is increasing. Many colleges and universities and most business schools are now offering courses in business ethics. Many articles and books and textbooks on the topic are being written and published, and many businesses and corporations now have ethics panels, codes of ethics, ethics review boards, and other attempts to foster and uphold higher or better ethics awareness and practices. Simultaneously, pressure is increasingly being applied on business and industry to improve their ethics. This is done through attempts at persuasion as well as through new public initiatives and laws (e.g., in some places, a higher road tax for higher-emission vehicles).

Business ethics can be both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. In academia, descriptive approaches are also taken. Historically, interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings (e.g., ethics codes, social responsibility charters). In some cases, corporations have redefined their core values in the light of business ethical considerations (e.g., BP's "beyond petroleum" environmental tilt).

Content of business ethics courses

Most courses and textbooks in business ethics begin with general considerations of ethics. This usually includes some or all of these issues: What ethics is, the distinction between ethical and non-ethical or extra-ethical considerations, general criteria of adequacy for an ethical system or principle, the distinction between and relationship between ethics and law, the question or problem of self-interest and its relationship to ethics, the relationship or lack thereof between ethics and religion, the question of ethical relativism, moral reasoning, individual integrity and responsibility, and the problem or question of collective responsibility and action.

Business ethics can be examined from various perspectives, including the perspective of the employee, the commercial enterprise, and society as a whole. Very often, situations arise in which there is conflict between one or more of the parties, such that serving the interest of one party is a detriment to the other(s). For example, a particular outcome might be good for the employee, whereas, it would be bad for the company, society, or vice versa. Some ethicists (e.g., Henry Sidgwick) see the principal role of ethics as the harmonization and reconciliation of conflicting interests. The theory of prima facie duties of Sir William David Ross has also been found to be useful by many theorists.
In most business ethics texts and courses the most important or most widely used normative theories of ethics are presented and briefly explained and developed. This includes utilitarianism or consequentialism; deontological or nonconsequentialist ethics, especially Kantian ethics and the categorical imperative; ethical egoism; sometimes contractarian ethics, especially as developed by John Rawls in his *A Theory of Justice*; sometimes libertarian theory, especially as presented by Robert Nozick in *Anarchy, State, and Utopia*; and sometimes ethics based on religion, a view usually known as *divine command ethics*. Since business ethics is a form of applied ethics, the question here is whether and to what extent any or all of those received ethical theories can be usefully applied to ethical issues or problems in business. Most thinkers and writers on the subject have advocated or developed hybrid and complex theories that use parts of many single theories.

**Overview of issues in business ethics**

Business ethics texts and courses differ, but most of them will be divided into units or chapters, and will cover, in some fashion, some or most of the following areas of inquiry. (Additional topics and questions, beyond those presented here, may also occur or be covered.)

**The problem of justice and economic distribution**

This is sometimes called the problem or question of *distributive justice*. Some main questions here are: What is fair and just in the distribution of the costs and the rewards of an economic system? What different principles of distribution can be used, and what are the consequences of each different scheme or principle? Should some version of laisser-faire be adopted, or should some communitarian/socialist scheme be used? What, if any, ethical or quasi-ethical principle is helpful here: *Utilitarianism, John Rawls' Theory of Justice*, Robert Nozick's libertarianism, *Adam Smith's invisible hand*, *Marxist* (secular) or Christian or Jewish or Islamic (religious) *socialism*, or some other ethical principle?

Should there be government regulation in this sphere, and if so, how much, how should it be done, and is government and its bureaucrats competent and trustworthy? Is it fair that, in the United States, the ratio of CEO pay to that of ordinary workers has been increasing to the point where it is now frequently 500:1 or even greater? If this high ratio is objectionable—as many people, including some writers on business, hold it to be—what, if anything, should be done about it, how should whatever is done be done, and who should do it?

**Ethics of economic systems**

This vaguely defined area, perhaps not part of but only related to business ethics[^3] is where business ethicists venture into the fields of political economy and political philosophy, focusing on the rights and wrongs of various systems for the distribution of economic benefits. The work of John Rawls was a notable contribution to this area.

**The nature and effects of capitalism**
Business in the developed world takes place more-or-less within a capitalist economic system. What is capitalism and what are its key features? (The answer is: companies, the profit motive, competition, and private property.) What are the ethical justifications of capitalism, and what ethical and other criticisms of it have been given? Which of those has the stronger arguments in its favor? What problems does capitalism face today? Today the world is becoming globalized so that a kind of worldwide capitalism is coming into existence—what are the consequences of that and what ethical problems and issues does it raise? Who are the winners and losers in globalization, and what, if anything, should be done about that? By whom, and for what ends? Is there a necessary collusion between capitalist business interests and repressive political regimes?

**Corporations and their consequences**

Most business today—especially business of any appreciable size—is conducted by or through corporations. What powers does incorporation grant, and why do people form corporations?

Another major issue here is known as the question or problem of corporate social responsibility. The main question is whether corporations can be or have the power to be ethically responsible, or, as it is sometimes put: Can corporations make ethical decisions? Or: Can a corporation have a social responsibility?

Some philosophers have seen the corporation as a machine and have argued that, because of its structure, a corporation cannot make ethical decisions, and thus that it cannot be held to be ethically responsible. Only the individuals within the corporation and not the corporation itself, they hold, can act ethically or unethically, and thus be held to be ethically responsible. But other philosophers, such as Kenneth Goodpaster and John Matthews, have argued that the corporate internal decision (DID) structure, like an individual person, does collect data about its actions, monitor work and employee and business conditions, attends to environmental impacts, etc. Thus, those philosophers argue, there is no reason why a corporation cannot exhibit the same rationality and thus be responsible in ways similar to an individual person.

Even if it is hold that a corporation can be socially responsible, however, the question of the degree and scope of this responsibility remains unanswered. Two different answers have been given: The narrow view of corporate social responsibility and the broad view. The narrow view, expressed most clearly by Milton Friedman, is that the social responsibility of a corporation is solely to maximize profits, within the rules of law and ethics, for its shareholders. The broad view, held by the large majority of philosophers and theorists who deal with this issue, is that business has other social obligations in addition to pursuit of profits. The main reason in favor of the broad view is that, as a matter of fact, corporations have great economic and social power. With holding and exercising power comes social responsibility. As professor of business administration Keith Davis put it, social responsibility arises from social power.
A distinction frequently made here is between *stockholders* and *stakeholders*. Stockholders, because of their ownership of stock, have a direct financial interest in the fortunes of the company. But stakeholders—suppliers, customers, family members of employees, the owner of the barbershop in the town where the company is situated, political figures in that town, teachers of employees' children, and others—also are affected, financially and otherwise, by the fortunes and actions of the company, thus they have a stake in it. Stakeholder theory holds that the company has some responsibility to its stakeholders in addition to its stockholders.

**Ethical issues in the workplace**

What do employers owe, ethically speaking, to their employees? What is the state of civil liberties in the workplace: Should employees have the same civil rights—freedom of speech, freedom of religious expression, freedom of petition—in the workplace as they have outside of it? Most businesses say no.

What are good or ethically permissible hiring and personnel policies and procedures? What about nepotism—is it ethically objectionable? What criteria should be used for hiring and promotions? For discipline and discharge? What are fair wages and how should this be determined? What is the ethical status of labor unions, and their strikes and boycotts?

What about an employee with AIDS; if the fellow-employees or customers learn of this and begin to shun the business (making its profits drop substantially) because of it—is it ethically permissible for the business to fire the employee with AIDS in such a case?

What about employer monitoring of employees in order to prevent theft or misuse of computer time—how far can the company go in doing this, ethically speaking?

How much may the organization influence and interfere in the private lives of its members? Is it permissible for the employer, for example, to forbid the employee from smoking, even off the job? What about the policewoman who poses for a nude picture in a magazine such as *Playboy*—is it ethically permissible for the department to fire her for this? What about the employee who engages in unconventional sexual practices, such as swinging—if this becomes public knowledge, should the employer be permitted to fire the employee? How far can the employer go to obtain information about potential employee misconduct, such as theft from the employer, or taking illegal drugs? What kinds of drug tests are ethically permissible, and under what circumstances? Is it ethically permissible for the employer to demand that the employee submit to polygraph tests? To personality tests to see whether the employee is filled with rage, for example?

What are bona-fide occupational qualifications (BFOQs), and what are spurious? (E.g., it is clearly permissible for a company to ask its delivery truck drivers to pass a driving test. But what if the employer were to demand that they pass a test in Spanish language? This is usually not a BFOQ. What if most of the company's customers are Spanish-speaking—would that make a difference?)
Clearly the employer has a responsibility for the health and safety of its employees while on the job. How far does this responsibility extend, ethically speaking?

If the employees of a company are dissatisfied with their job situation, does the company have an ethical responsibility to redesign the job and the working situation to make the employees happier and more fulfilled? Does an employer have an ethical responsibility for the personal growth and fulfillment of its employees? If so, to what extent?

**Ethical issues facing employees**

Clearly, there are some things that are ethically wrong for employees: stealing from the employer, lying to the employer, working to undermine the business, company, employer, or other employees. Beyond that, what ethical obligations does the employee have to the firm? Clearly some degree and type of loyalty is due ethically of the employee to the employer, but how much, and under what circumstances?

What about conflicts of interest that arise because of the employee's position and power within the business? There are numerous ways that the employee can abuse his position: Some of the main ones are by making financial investments in competitors, padding expense accounts, using company property such as computers or vehicles or other company assets for private purposes, engaging in insider trading, giving or selling proprietary data to competitors, or engaging in the taking or giving of bribes or kickbacks.

Another issue that is dealt with in nearly all business ethics courses and texts is whistleblowing. Whistleblowing occurs when an employee becomes aware of an unethical or illegal practice being done by the company, and the employee tells about or otherwise exposes this unethical practice to outsiders: to the media or to law enforcement officials or to someone else outside the company, situated in such a way to bring pressure on the company to change the offensive practice. Ethical issues here are: When is whistleblowing justified? What steps should the potential whistleblower take in order to behave ethically and enhance the likelihood of success in this effort? What can be done to prevent retaliation by the company or the profession against the whistleblower, i.e., to protect those people who do the right thing even though that right thing hurts the employer or the company? What if the motivation of the whistleblower is not to protect the third party or parties who are being harmed by the unethical practice, but is instead to profit in some way—financially, or in enhanced prestige or power or in some other way—by the process or act of whistleblowing? To put it differently, what if the whistleblower is doing so out of self-interest instead of for the benefit of the larger good?

**Discrimination in hiring or entry into desirable schools**

Discrimination in itself is not ethically objectionable. Discrimination is part of making a choice: People discriminate in favor of the thing or person they have chosen and they discriminate against the person or thing they do not
choose. So the ethical problem is not discrimination itself, but the basis on which a choice is made: Did someone choose on the basis of an ethically good reason or on the basis of an ethically wrong one?

Historically, members of certain disfavored races and ethnic groups have been discriminated against in hiring, promotions, and entry into desirable schools (such as law or medical school). This is now recognized by nearly everyone as being an unethical basis for discrimination or choice. The question then is what to do about this. One widely-accepted answer is the adoption of an affirmative action program in an effort to rectify the problem.

In the United States, there have been two different understandings, coupled with two different epochs of affirmative action. The first could be called negative affirmative action (using “negative” as it is used in speaking and writing about “negative rights”); in this understanding affirmative action consists of the assertion that race or ethnicity may not and will not be used as a basis for discrimination. This notion of negative affirmative action occurred in Martin Luther King’s call for people to be judged by the content of their character instead of the color of their skin. But that understanding of affirmative action was soon replaced by another one that could be called positive affirmative action (again, “positive” as it is used in the conception of “positive rights”). In affirmative action, understood positively, members of previously discriminated against racial or ethnic groups are given some form of special preferential treatment (sometimes called being given a “leg up”) in hiring, promotion, or entry into desirable schools. Today, when people speak of affirmative action, they almost always mean this positive, preferential form of affirmative action.

Business ethics texts and classes, then, usually have some presentation and discussion of the reasons for and the reasons against the use of positive affirmative action. This often includes a discussion of the way the law courts have dealt with the problem over the years.

Affirmative action remains a highly controversial area and the reasons both for and against affirmative action are usually presented in business ethics courses and texts, and are highly disputed, with partisans on both sides.

**Ethical issues of women in the workplace**

Women have always worked, but until the twentieth century most women did not work in businesses outside their homes or farms. With the coming of World War I, however, and especially with World War II and following, large numbers of women entered the workforce. With the entry of women into the workforce, a number of ethical issues and problems arose that did not exist before, or that were at least much smaller and much less prevalent at that earlier time.

One issue has to do with childcare. Women have usually had more responsibility for caring for children than men, so the entry of women into workforces meant that businesses and fellow employees had to deal with childcare issues. Do businesses and fellow employees have an ethical responsibility to provide or make provisions for childcare for
women (or parents of either gender) with children? Are fellow workers ethically entitled to feelings of resentment if a fellow worker lets them in the lurch in order that this worker can care for her children?

Ethics is constrained by a biological fact: Women get pregnant and have babies; men do not. Besides the childcare problem, this has led to a number of additional ethical issues: Should women of child-bearing age be prevented from working in environments where something exists that might harm their fetuses, should they become pregnant, such as a factory where lead batteries are made and therefore there is lead in the air? Should pregnant women be given on-job benefits (extra break time, being put in physically more comfortable situations, etc.) that are not given to men and non-pregnant female co-workers?

Another issue is differences in physical strength between men and women. Is it ethically permissible to set up two different test tracks for men and women for entry into a job, such as firefighting, where male firefighters must pass physical tests including such exercises as climbing up long ladders while burdened with many pounds of firefighting equipment or carrying a heavy person from a burning building and down a ladder—tests that few if any women could pass? The military services have also had to institute different physical requirements for men and women in order to have women become members of those services—is that ethically permissible, or does it constitute unfair discrimination on the basis of sex?

Do businesses have an ethical right or responsibility to divide women into two groups, a career primary group and a career-and-family group (this came to be called a “mommy track”), and treat members of the two groups differently, expecting the first group to advance more and invest more in the job and company than the second, with the first group also reaping greater rewards in terms of pay, salary, bonuses, advancement, responsibilities, and so on? “In most organizations the mommy track is a millstone around your neck,” according to Richard Belous, an economist at the National Planning Association. He warned, “CEOs and rainmakers don’t come out of the mommy track,” and “If you go part-time you’re signaling to your employer you’re on the B-team.” If a “mommy track” exists or is created, should there also be a “daddy track”? If a “mommy track” exists, who should determine for each woman whether or not she is on it—should she decide for herself, or should the employer decide?

Since women were historically discriminated against in business and many professions, should there be positive affirmative action for women, just as is done for members of historically disfavored racial and ethnic groups?

Another issue is traditional lower pay for what was historically “women’s work” (often known as “pink collar” jobs), compared to the pay for male-dominated blue-collar and white-collar work. To cope with this, the notion of comparable worth was developed. This doctrine holds that all the jobs done within an organization are necessary for the overall success of the organization, thus traditional pink collar work, such as clerical work, is comparable in worth to traditional men’s work (such as operating a forklift truck in the warehouse) and should be paid comparably.
At least some lawsuits have been won by women demanding back-pay and compensation on the basis of this doctrine of comparable worth.

Another problem that arose with men and women working together in the workplace was dating and mating within the workplace or between co-workers. (This could, of course, occur in single-sex workplaces, but is much less prevalent there.) What ethical rights and responsibilities does the company or employer have, if any, to try to stop, control, or otherwise manage such activity of its employees?

Finally, the problem of sexual harassment became a large issue when women entered the workforce. To cope with this, most businesses have instituted strong guidelines and rules, along with penalties for those persons who break the rules.

**Products and consumers**

Who has the primary responsibility, ethically speaking, to ascertain whether products are safe, efficacious, and appropriate for the needs and desires of a particular purchaser or consumer: The manufacturer, the seller, or the consumer? Law and tradition have changed over the years on this problem, so that today the doctrine of strict product liability puts the onus on the manufacturer. Today, there are also a host of government regulations dealing with product safety; the U.S. Food and Drug Administration (FDA), for example, was set up to regulate the purity and quality of drugs and foodstuffs. Most people favor those regulations, but a few philosophers and economists, such as Milton Friedman, have argued against them. There does remain the problem, however, of both the effectiveness of government regulations and the competence of government and its officials and bureaucrats to set up and carry out such regulations. In any case, business still has a great deal of responsibility, ethically speaking, to see to it that its products are safe and good. But consumers also have their own ethical and practical responsibility in this area—responsibility is shared by both producers and consumers.

Some products—such as cigarettes, illegal drugs, some kinds of pornography—are regarded by many people as being inherently unethical. Thus they find no ethically acceptable way to make, advertise, and market such produces.

Other ethical issues are product pricing, price fixing, price gouging, proper or improper product labeling and packaging, and the formation of trusts and cartels and other means of restricting competition and engaging in anti-competitive practices.

A big ethical controversy here concerns advertising and marketing: Should advertising and marketing speech be encompassed within freedom of speech protections, as granted by the First Amendment? Even if yes is the answer to that question, there are still many remaining ethical problems or concerns: Deception and unfairness in advertising, including ambiguity, concealed facts, exaggeration, and psychological appeals (often relying on sex).
Regardless of how they think about advertising directed at adults, most philosophers, observers, and ethicists are troubled by one form of advertising: Ads directed at children. It is assumed—probably inaccurately—that adults have sufficient maturity and wisdom to sort out for themselves what is believable and useful and good in advertising and reject the rest. But it is known that children lack that ability, thus they are vulnerable and advertising directed at them has a strong taint of being inherently unethical.

There is the additional fact that most mass media—radio and TV, newspapers, magazines—are primarily supported by advertising revenue. Thus the ability to have those media, with all the information, entertainment, and other goods they bring, is dependent on advertising, so railing against advertising is short-sighted or at least somewhat disingenuous.

**Ethics of business and the environment**

All living things, without exception, must take in something from the environment and excrete something back into the environment in order to live. A business can be thought of as a living thing, and, as such, it too must take things in from the environment and release things into the environment in order to exist and thrive. So, if one assumes that it is ethically permissible for a business to exist (a necessary assumption for business ethics), then it follows that in some way that business has the ethical right to take some things in from the environment and put things into the environment—to use the environment. The ethical question then is not whether business can or should use the environment, but how and to what extent.

A good place to begin the investigation of business and the environment is with Garrett Hardin’s “Tragedy of the Commons.”[6] Hardin asks the reader to imagine a village where animals are allowed to graze on the commons (e.g., Boston Commons, a park in the center of the city). This commons will support some number of cows, who then can graze there indefinitely. But it is in the interest of each villager to put an additional cow there and thus profit doubly. But if all the villagers did that it would be too many cows and would wreck the commons, making it of no value to anyone. So what is rational for the individual to do is irrational if everyone does it. This paradox underlies many environmental issues, and leads to such things as over-fishing particular water, overgrazing, cutting down too many trees on a plot of land, releasing too much effluent into rivers or smoke into the air, etc. So a major problem in environmental ethics deals with what it is rational for a group of people and businesses to do, especially if it would not be so harmful if only one did it.

Another ethical question is who should pay the costs, especially the costs of past misdeeds. Often the people or businesses that committed the misdeeds are no longer around, so they cannot be assessed the costs. If the government does it, then everyone is paying through their taxes. Is that fair? Is there any other solution to the problem?
Three different approaches have been taken concerning environmental protection: the use of regulations, the use of incentives, and the use of pricing mechanisms. Regulations are usually put out by governments, and attempt to use governmental power to force compliance with standards. Incentives use government investment, subsidies, and general economic incentives. This can include tax breaks for installation of pollution-control equipment, or matching grants to companies that install such devices. Incentives minimize governmental interference in business and encourage voluntary rather than coerced compliance. The third approach is to charge businesses a fee based on the amount of pollution they produce. An advantage of this method is that it places the cost of pollution on the polluters. A variation of this scheme is to sell pollution permits, and then allow those businesses to buy and sell those permits. The conclusion here is that although each of these three methods—regulations, incentives, and pricing mechanisms—has certain advantages, each also has weak points.

A central question in environmental ethics is whether people, in the present, owe something to future, now unborn, generations: Do they have rights and demands that people are ethically obligated to honor? Most people are likely to answer the question yes, but this does not answer the subsidiary question of what and to what degree. Part of the problem is that the future is inherently unpredictable, and the unforeseen consequences of actions taken in the present often turn out to be greater than the anticipated ones, as is seen in the present concern with environmental degradations created by actions of our ancestors.

Radical environmentalists challenge the human-centric approach to nature and advocate an approach that places the value and status of nature above humans. Many also advocate animal rights, and hold that business should not use animals for human consumption, experimentation, or other uses that interfere with what they consider to be the rights of animals.

A final overall ethical question is the stance humans should take to nature and the environment. Here, except for the radical anti-human environmentalists, most people are concerned about the environmental degradation and sustainable development for the future. They are trying to find a way to keep a good balance between economic development and preservation of the sensitive ecological mechanisms of nature.

**Technology and ethics**

Most texts on business ethics do not pay much attention to technology and the ethical issues and problems that arise from it. Unfortunately, this area tends to be unduly neglected, as technology has many implications for business ethics.

One problem in ethics of technology is the question of what stance humans and business should take concerning technology. One extreme view is held by technological dystopianists, such as the late French philosopher-theologian Jacques Ellul, who held that technology is harmful, has its own imperative, and causes widespread harm. The opposing view, sometimes known as technological cornucopianism and held and advocated most strongly by the late
Julian Simon claims that developments in technology coupled with human ingenuity will lead to solution of all, or nearly all, of the problems of scarcity, pollution, transportation, education, housing, resource depletion, etc.

Some technological developments, such as the automobile and truck at the beginning of the twentieth century, and television in the middle of it, changed nearly everything in human life: civilization, business, politics, religion, wealth, entertainment and leisure, and almost all else.

A new technology almost always provides a basis for new business and wealth creation, leading to new opportunities for employment. But a new technology also frequently displaces and leads to unemployment for workers whose work and livelihoods were tied to the older technology. Ethically speaking, does this lead to some responsibility for the new businesses to deal with the plight of those who have been displaced?

Another ethical consideration is whether there is some responsibility for technological sharing and transfer from the technological haves to the have-nots.

Some have claimed that the specialization and technical language brought about by advances in technology lead to inability of people to communicate across these divides, along with worker alienation. Does technology cut people off from the world of concrete experience and bring on a kind of mystification of “technique,” as Jacques Ellul claimed? Does technology become an end in itself, stripping humans of the ability to control and use it? Is, as some have claimed, technological determinism true?

If people can do something, does this mean they ought to do it, ethically speaking? This problem is especially acute in medical technology. Should people make and use new medical technologies that will prolong human life, but at great cost and discomfort and diminished quality of life?

Who should control technology and its use; should a laissez-faire attitude be taken, or should some form of governmental or social control be taken?

Today’s discussions of ethics and technology tend to focus on cybertechnology—computers and their use and misuse. The growth of the Internet has brought huge advantages, but has also led to cybercrimes, loss of privacy, and diminishment of the ability of creators to own their intellectual property. What counts as equity in cyberspace? Who should have access to it and under what conditions. Some countries, especially China and North Korea, have attempted to restrict access by their citizens because those regimes fear loss of their ability to control people and politics if people have access to a free Internet with its ability to convey all forms of speech and information, including religious and political speech and information. Should some international body take control of the Internet and impose restrictions, taxes, and other forms of control on it?

**Ethical issues in international business**
While business ethics emerged as a field in the 1970s, international business ethics did not emerge until the late 1990s, looking back on the international developments of that decade.[9] Many new practical issues arose out of the international context of business. Theoretical issues such as cultural relativity of ethical values receive more emphasis in this field. Other, older issues can be grouped here as well. Issues and subfields include:

- The search for universal values as a basis for international commercial behavior.
- Comparison of business ethical traditions in different countries.
- Comparison of business ethical traditions from various religious perspectives.
- Ethical issues arising out of international business transactions; e.g. bioprospecting and biopiracy in the pharmaceutical industry; the fair trade movement; transfer pricing.
- Bribery, kickbacks, and facilitation payments are frequently the norm in many countries, but these go against the ethical and legal requirements of some countries, such as the United States. What should American businesspeople do when they are faced with demands for such unethical business practices?
- While bribery, kickbacks, facilitation payments, etc., may be in the (short-term) interests of the company and its shareholders, these practices may be anti-competitive or against the values of society. They also lead to widespread corruption and debasement of the economic and political systems in which they occur. This leads to loss of potential investor interest in investing in such countries, regions, and businesses.
- Issues such as globalization and cultural imperialism.
- Varying global standards on some issues, such as, for example, the use of child labor.
- The way in which multinationals can take advantage of international differences, such as outsourcing production (e.g., clothes) and services (e.g., call centers) to low-wage countries.
- The permissibility of international commerce with pariah states.

**Theoretical issues in business ethics**

**Ethical issues and approaches**

Some theorists have adapted social contract theory to business, whereby companies become quasi-democratic associations, and employees and other stakeholders are given voice over a company's operations. This approach has become especially popular subsequent to the revival of contract theory in political philosophy, which is largely due to John Rawls' *A Theory of Justice*, and the advent of the consensus-oriented approach to solving business problems, an aspect of the "quality movement" that emerged in the 1980s. Professors Thomas Donaldson and Thomas Dunfee proposed a version of contract theory for business, which they call integrative social contracts theory. They posit that conflicting interests are best resolved by formulating a "fair agreement" between the parties, using a combination of (1) macro-principles that all rational people would agree upon as universal principles, and, (2) micro-principles formulated by actual agreements among the interested parties. Critics say the proponents of
contract theories miss a central point, namely, that a business is someone's property and not a mini-state or a means of distributing social justice.

Ethical issues can arise when companies must comply with multiple and sometimes conflicting legal or cultural standards, as in the case of multinational corporations that operate in countries with varying practices. The question arises, for example, ought a company to obey the laws of its home country, or should it follow the less stringent laws of the developing country in which it does business? To illustrate, U.S. law forbids companies from paying bribes either domestically or overseas; however, in other parts of the world, bribery is a customary, accepted way of doing business. Similar problems can occur with regard to child labor, employee safety, work hours, wages, discrimination, and environmental protection laws.

It is sometimes claimed that a Gresham's law of ethics applies in which bad ethical practices drive out good ethical practices. It is claimed that in a competitive business environment, those companies that survive are the ones that recognize that their only role is to maximize profits. On this view, the competitive system fosters a downward ethical spiral.

**Business ethics in practice**

**Corporate ethics policies**

As part of more comprehensive compliance and ethics programs, many companies have formulated internal policies pertaining to the ethical conduct of employees. These policies can be simple exhortations in broad, highly-generalized language (typically called a corporate ethics statement), or they can be more detailed policies, containing specific behavioral requirements (typically called corporate ethics codes). They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical problems that might arise in the course of doing business. It is hoped that having such a policy will lead to greater ethical awareness, consistency in application, and the avoidance of ethical disasters.

An increasing number of companies also require employees to attend seminars regarding business conduct, which often include discussion of the company's policies, specific case studies, and legal requirements. Some companies even require their employees to sign agreements stating that they will abide by the company's rules of conduct.

Many companies are assessing the environmental factors that can lead employees to engage in unethical conduct.

Not everyone supports corporate policies that govern ethical conduct. Some claim that ethical problems are better dealt with by depending upon employees to use their own judgment.

Others believe that corporate ethics policies are primarily rooted in utilitarian concerns, and that they are mainly to limit the company's legal liability, or to curry public favor by giving the appearance of being a good corporate citizen. Ideally, the company will avoid a lawsuit because its employees will follow the rules. Should a lawsuit
occur, the company can claim that the problem would not have arisen if the employee had only followed the code properly.

Sometimes there is disconnection between the company's code of ethics and the company's actual practices. Thus, whether or not such conduct is explicitly sanctioned by management, at worst, this makes the policy duplicitous, and, at best, it is merely a marketing tool.

To be successful, most ethicists would suggest that an ethics policy should be:

- Given the unequivocal support of top management, by both word and example.
- Explained in writing and orally, with periodic reinforcement.
- Doable—something employees can both understand and perform.
- Monitored by top management, with routine inspections for compliance and improvement.
- Backed up by clearly stated consequences in the case of disobedience.
- Remain neutral and nonsexist.

**Ethics officers**

Ethics officers (sometimes called "compliance" or "business conduct officers") have been appointed formally by organizations since the mid-1980s. One of the catalysts for the creation of this new role was a series of fraud, corruption, and abuse scandals that afflicted the U.S. defense industry at that time. This led to the creation of the Defense Industry Initiative (DII), a pan-industry initiative to promote and ensure ethical business practices. The DII set an early benchmark for ethics management in corporations. In 1991, the Ethics & Compliance Officer Association[^10] (ECOA)—originally the Ethics Officer Association (EOA)—was founded at the Center for Business Ethics[^11](at Bentley College, Waltham, Massachusetts) as a professional association for those responsible for managing organizations' efforts to achieve ethical best practices. The membership grew rapidly (the ECOA now has over 1,100 members) and was soon established as an independent organization.

Another critical factor in the decisions of companies to appoint ethics/compliance officers was the passing of the Federal Sentencing Guidelines for Organizations in 1991, which set standards that organizations (large or small, commercial and non-commercial) had to follow to obtain a reduction in sentence if they should be convicted of a federal offense. Although intended to assist judges with sentencing, the influence in helping to establish best practices has been far-reaching.

In the wake of numerous corporate scandals during 2001–2004 (affecting large corporations like Enron, WorldCom, and Tyco), even small and medium-sized companies have begun to appoint ethics officers. They often report to the chief executive officer and are responsible for assessing the ethical implications of the company's activities, making recommendations regarding the company's ethical policies, and disseminating information to employees. They are
particularly interested in uncovering or preventing unethical and illegal actions. This trend is partly due to the Sarbanes-Oxley Act in the United States, which was enacted in reaction to the above scandals. A related trend is the introduction of risk assessment officers that monitor how shareholders' investments might be affected by the company's decisions.

The effectiveness of ethics officers in the marketplace is not clear. If the appointment is made primarily as a reaction to legislative requirements, one might expect the efficacy to be minimal, at least, over the short term. In part, this is because ethical business practices result from a corporate culture that consistently places value on ethical behavior, a culture and climate that usually emanates from the top of the organization. The mere establishment of a position to oversee ethics will most likely be insufficient to inculcate ethical behavior: a more systemic program with consistent support from general management will be necessary.

The foundation for ethical behavior goes well beyond corporate culture and the policies of any given company, for it also depends greatly upon an individual's early moral training, the other institutions that affect an individual, the competitive business environment the company is in, and, indeed, society as a whole.

Religious views on business ethics

The historical and global importance of religious views on business ethics is sometimes underestimated in standard introductions to business ethics. Particularly in Asia and the Middle East, religious and cultural perspectives have a strong influence on the conduct of business and the creation of business values.

Examples include:

- Islamic banking, associated with the avoidance of charging interest on loans.
- Traditional Confucian disapproval of the profit-seeking motive.

Professional ethics

Professional ethics is sometimes included as part of business ethics, and sometimes treated as a different branch of applied ethics. Most learned professions—i.e., professions that require some advanced study, usually more than a bachelor's degree—have more-or-less elaborate codes of ethics and concerns about ethics for their profession. Examples are the codes of ethics for lawyers, doctors, engineers, accountants, and others.

Professional ethics covers the myriad of practical ethical problems that arise in specific professions. Some of the professions usually included within the scope of professional ethics are: business management (as a profession), engineering, health care (the medical professions, including physicians and nurses and other health care professionals), counseling, law (lawyers and judges), journalism, education (as a profession), and accounting and auditing.
One of the questions in professional ethics is just what constitutes a profession, as distinct from other human endeavors. Many writers and commentators have taken the approach of Michael Bayles,[12] that holds that being a professional requires: (1) extensive training; (2) that this training involves a significant intellectual component; and (3) that the trained ability provides an important service in society.

Another question is whether professionals, in their role or status as professionals, have ethical problems and duties beyond those of non-professionals. The answer usually given is that they do because as professionals they provide a service to humans that is necessary for human life and well-being that humans cannot get without the aid of the profession and its professionals, and that professionals are given special powers and immunities—things not given to other non-professionals—to carry out their role(s) (e.g., a surgeon is given the right and even the responsibility to cut open another human's body if the surgeon deems that doing so will aid the health of the one who is cut); such powers and immunities convey ethical responsibilities.

Some writers have held that a commitment to virtue and virtue ethics may provide the best stance or solution to ethical problems that arise for professionals.[13]

Today, most of the professions mentioned above have professional organizations that have both an inner and an outer focus. In their inner focus, these organizations work to better the status, income, training, and position of their members, through many efforts, including seminars and training sessions, the publication of literature for the members of the profession, and often some form of licensing or quasi-licensing for members of the profession. Today, for example, most lawyers need to be members of the bar association and most doctors are members of the medical association. These professional associations also almost always establish codes of ethics for their members and sometimes work to police members to make them follow those codes. In its outer focus, the professional association works to enhance public perception, acceptance, honor, and protection for the profession and its members.

A thorough account of professional ethics looks at each profession to see what ethical issues arise specifically for that profession and attempts to provide some answers, when possible, for those problems. In the cases of law and medicine, there is an enormous body of literature and work available in professional ethics for those professions. In fact, medical ethics has become a field so broad that degrees and specialties are already available in it, and there is a vast and ever-growing literature on it.

Here is a look at just one representative example of a profession and the ethics issues arising in it: the accounting profession.

**Ethics and the accounting profession**

Major ways accountants and auditors can engage in unethical activity include:
Creative accounting, earnings management, misleading financial analysis, and other ways of "cooking the books."

Insider trading, securities fraud, bucket shop, forex scams: all those are unethical and criminal manipulation of the financial markets, usually done with the connivance, or at least the passive complicity, of accountants and auditors.

Some major cases of accounting fraud and unethical behavior include Enron, WorldCom, and others.

Notes

3. ↑ The view that business ethics encompasses the ethics of economic systems is taken in (e.g.) Richard de George, Business Ethics (Englewood Cliffs, NJ: Prentice Hall, 1995 ISBN 0023280204). Chapters 6 and 7 give a wide overview of the area.
References