IS "BUSINESS ETHICS" AN OXYMORON?

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ABSTRACT
In this article, we examine some objections to the enterprise of business ethics. We draw the distinction between two lines of argumentation against business ethics: the former based on real-life examples of unethical conduct in business, and the latter based on theoretical and normative arguments. We show in the first section why the first line is not successful. In the second section we examine in more detail the arguments in the second category. First, we argue that the idea that profit is the purpose of business does not lead to the conclusion that there are no ethical norms that should be observed in business. Secondly, we argue that ethical principles are not confined to the sphere of personal life or, in the professional life, to that of public institutions. We analyze the distinctions between ethical norms applicable to the field of business and those applicable to the public sector.

KEYWORDS: *business ethics, purpose of business, public vs. private sector ethics.*

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1. INTRODUCTION

Most business ethics professors have faced at least once in their career the objection that "business ethics" is an oxymoron. In an imprecise way, those who say this intend to state that morality and have no real place in the business world. In this short article, I will try to answer that challenge and justify the existence of business ethics as an area concerned with moral rules that should be followed by managers, employees, consumers and other business actors. This article is prompted by the common sense, not scientific, objections to business ethics. My primary intention of this article is to respond to objections generated by everyday view of the business world. However, for a more detailed elaboration of the arguments, we will appeal to the arguments in the literature. In the first section, we will answer to two lines of argumentation against business ethics. In the second section, we will examine in more detail three objections to business ethics.

2. TWO LINES OF ARGUMENTATION AGAINST BUSINESS ETHICS

At the common sense level, it can be often heard the claim that the expression "business ethics" is an oxymoron, or a contradiction in terms. In a joking manner, those who use this phrase affirm that moral rules have no place in business. Most likely, they generally do not reject the general existence of moral norms, but their applicability to the economic field. But what is the nature of business, which could

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justify this skepticism? In a more or less direct manner, most answers refer to profit, which is the ultimate business purpose. Achieving profit, argue some, is the ultimate goal of any business, and this is often incompatible with ethical conduct.

The arguments of business ethics critics are based broadly on two general sources. First, opponents of business ethics appeal, in order to support their view, to numerous instances in which companies' managers or employees act unethically. Secondly, they argue that moral norms are not designed for the business world, in which maximizing profit, the only purpose, is incompatible with moral conduct. Thus, moral norms have a role in personal and family relationships, but not in the business world, dominated by a permanent and justified desire to earn money by any means, even by ignoring the rules imposed by morality. In this section, I discuss in the first line of argumentation, while in the following section I will refer to the second one.

Using examples of unethical conduct does not go us too far in criticizing business ethics. First, it is not true that economic world is characterized by a universal immorality. In similar situations in terms of ethical challenges, different people behave differently and some businessmen, managers or ordinary employees are able to sacrifice their short-term benefits in order to comply with ethical requirements. Excessive concentration of media (and perhaps even of business ethics papers) on negative examples in the business world can make us believe that such cases are the rule, while situations in which companies act in accord with moral rules are only the exception. This is not true. Contrary examples, where companies' practices are morally correct or even praiseworthy, can always be provided. We don't have good reasons to believe that the number of examples of wrong conduct in the business world is higher than in any other field. After all, business organizations exist because, regardless of the managers' or shareholders' intentions, bring more good than harm to society.

Secondly, the fact that some businessmen, managers or employees, perhaps many of them, do not comply with moral norms do not lead, in any case, to the conclusion that this is morally acceptable. Generally, one must clearly distinguish between factual judgments about how people act, and normative, or prescriptive, judgments about how they should behave in particular circumstances. Factual judgments can not base, taken by themselves, moral conclusions. Specifically, the factual observation that the business world is full of bad examples does not show that there are no moral norms that should be observed. Ethics is all the more necessary when negative examples are more common. As a side remark, it can be seen that the negative examples in media focus on the companies' practices, but business ethics can not be reduced to this topic.

Despite the above arguments, some people may criticize this vision as "idealistic", claiming that the profit motive is the only business purpose, and it is impossible to achieve it through ethical behavior. There may be countries where the degree of corruption is extremely high, and where ethical companies cannot survive, because most companies use unethical and illegal practices. However, such countries are the exception, but not the rule. In most countries, profit can be ethically and legally achieved and the idea that it is impossible to make profit through unethical practices is just an excuse to cover company's inefficiencies or bad management. Unethical practices are used more often not for survival, but rather for increasing company's profit. It is true that companies and their managers are subject to competitive pressures, which lead them to act unethically. It is true as well that in a climate of widespread unethical conduct, managers are inclined to act in the same way. However, these excuses do not absolve from responsibility companies that act wrongly and do not show that ethical corporate conduct is impossible.

A second line of argumentation against business ethics does not use factual examples concerning the behavior of businesspeople, but theoretical and normative arguments, according to which moral norms are not applicable to the business world, where the main objective is profit. Several authors found their arguments on Milton Friedman's position, which we will briefly present below. (Another famous paper often referred to as bringing strong objections to business ethics is Carr's "Is Business Bluffing Ethical?". I will not discuss the arguments of this article.)

In his 1970 article, suggestively called "The Social Responsibility of Business is to Increase its Profits", Milton Friedman tries to show that the sole responsibility of managers is to make decisions in the interest of shareholders. Thus, Friedman argues against the stakeholder theory, which states that companies must take into account not only the interests of shareholders, but also, and at the same degree, those of the other stakeholders: consumers, employees, environment NGOs, etc. In opposition to the stakeholder theory, the Friedman's position is sometimes called "stakeholder theory", since it gives a special status against other shareholders. Also Friedman rejects thee ideas that companies have social responsibilities.

In support of his position, Friedman brings two main arguments. First, he shows that managers are responsible only to shareholders: „... a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while con-forming to the basic rules of the society, both those embodied in law and those embodied in ethical custom" (Friedman, 1993, 162). The relationship between owners (shareholders) of a company and its managers is of a principal-agent nature. Managers have a legal and moral obligation to act in shareholders' interests and using shareholders' money otherwise, for instance for acts of charity, is a violation of their responsibility, voluntarily assumed, to maximize company's profits. Friedman's argument can be extrapolated to the case of the single-shareholder (owner) companies. Moreover, employees have, in their turn, moral and legal obligation to act in company's and shareholders' interests.

Secondly, Friedman shows that managers are not placed in a good position for knowing society's problems and how they could be solved. Government institutions are the only ones that can solve social problems and, through democratic mechanisms of representation, may legitimately determine society's priorities. In a more fundamental way, Friedman shows that stakeholder theory obscures the distinction between a company, whose main objective is profit, and public institutions, which are justified in pursuing the interests of society as a whole.

Some authors interpret Friedman's arguments as leading to the conclusion that managers and employees have no obligation to comply with any moral rule, which leads to strong objections to business ethics. For example, McAleer (2003, 439-440) argues that Friedman would argue that no moral obligation, beyond the legal ones, restrains the justified means for achieving profit. Grant (1991, 907) says that Friedman's focus on profit places ethics in a secondary position. If the two interpretations are correct, then Friedman's arguments lead to serious objections to business ethics, which I will examine in the following section.

Friedman argues that managers have a moral obligation to run the company in the shareholders' interests and for profit maximization, because managers have a contractual and professional duty to shareholders. However, Friedman's arguments should not be interpreted as general criticisms of business ethics. First, the relationship between managers and shareholders is a particular case of the principal-agent relationship, in which manager (agent) has a moral duty to run the company in shareholders' interests. This leads to important business ethics issues. Secondly, Friedman's arguments do not impact on all business ethics issues. For instance, organizational ethics issues are left unaffected by these arguments.

Thirdly, and more important, Friedman's view does not lead to the rejection of the ethical issues in the relationship between company and its stakeholders. Thus, Friedman refers to the fact that managers must comply with "both those embodied in law and those embodied in ethical custom", accepting the possibility that managers have moral responsibilities that are not provided in law. It is true that

Friedman does not develop this idea, but what is important is that the rejection of stakeholder theory does not lead to the idea that managers and companies do not have any moral obligation to employees, customers, business partners. Shareholder theory claims that managers have the moral obligation to run the company in shareholders' interests. However, this is not to deny that managers, and the company as a whole, have obligations towards other categories of stakeholders. We should clearly draw the distinction between "acting in stakeholders' interests" and "respecting their rights". Managers do not have a special obligation to promote the interests of all stakeholders, similar to their obligation to shareholders; nevertheless, they have the moral obligation to respect all rights of stakeholders, for instance the right to provide adequate information to consumers.

3. THREE OBJECTIONS TO BUSINESS ETHICS

Broadly speaking, Friedman's article and other articles on the foundations of business ethics raise three general issues concerning the status of business ethics. The first concerns the place of ethical norms in this field, given that the main business objective is profit. The second refers to the relationship between the ethical standards in personal life and those in business life. The third relates to the distinction between ethical standards in private sector and those in public institutions. I will discuss the general objections against business ethics determined by these three topics.

At the level of common sense is often argued that the purpose of a business is to make profit and that this would absolve businesses of any moral responsibility. The fact that the purpose of a business is to make profit is an essential element in business ethics. (Actually, the purpose of a business can be conceived in two distinct ways: profit maximization, or achieving a reasonable rate of profit (further discussion is needed to examine what "reasonable" means).) This means that a business owner has the moral permission to act in any manner consistent with legal and ethical standards in order to make profit and can not be morally obligated to continue a business that is not and is not foreseen to become in the near future profitable. However, the conclusion that any way to obtain profit is justified cannot be drawn.

Moreover, even the thesis, correct in itself, that profit is the purpose of business can be misunderstood. We must distinguish between motives of people when they choose to undertake a certain activity and the social function of a certain field of activity (Duska, 1997, 1402). For instance, although the reasons why physicians practice medicine may be earning a good salary, the social function of medicine is curing the sick. An analysis of the ethical obligations of physicians should start from the function of medical activity, not from the particular and justified motivations of physicians, which can be very diverse. In the same way, the principles of other branches of professional ethics, like journalism ethics and engineering ethics, are based on the social function of such activities, for instance informing the public for journalism. Without being itself a branch of professional ethics, business ethics justifies his subject-matter in a similar manner, based on the function of business: the provision of goods and services that satisfy consumer needs. Besides profit, which is necessary for their survival, businesses should accomplish their functions. Profit should be seen as the result of doing business well, of providing goods and services that satisfy consumer needs.

Some critics of business ethics seem to consider that in business, as in war, anything is allowed. This argument, focused on the antagonistic dimension of business, is deceitful. First, the war, like any other sphere of human action, is not devoid of moral norms, among some of which govern the conduct between enemies. Secondly, business is not a battlefield and eliminating competition is not an end in itself; rival business can co-exist and even cooperate. The main objective of a business should not be to destroy its competition, but to provide good quality goods and services, in order to gain profit.

The main business purpose, profit, is often put in contrast with the purpose of the public sector institutions, public interest. This distinction, absolutely correct and relevant, leads to some distinctions between the ethical problems in the two fields. First, the relationship between employees and managers, on the one hand, and companies' shareholders is of a principal-agent nature, the former having a duty to act in the interests of the latter, at least insofar as this does not conflict with any moral or legal norms. In the public sector, the final principal is the citizen and a principal-agent relationship occurs between public employee and citizen. This leads to important differences between the moral obligations of private and public employees.

Furthermore, the pursuit of profit is the legitimate objective of the companies and therefore their ethical obligations refer to the correct way to achieve this goal. A private company does not need to justify its activity and practices by reference to moral values. In the private sector, ethical obligations are rather negative, referring to the practices that should be avoided in the pursuit of profit. Instead, ethics in public sector institution is based on the fact that pursuit of public interest is the primary purpose of public institutions. Public institutions should justify its very existence by showing the benefits brought for the public by its activity (Geuras & Garofalo, 2011, 22). In the public sector, ethical obligations are often of a positive nature, referring to the effective pursuit of public interest.

The distinction between public and private sector ethics should not lead us to conclude that public employees have a greater obligation to be moral than the owners or employees of the private companies. At least the general moral obligations – not to do any harm to others, not to deceive, to be fair, to keep your promises etc. – are the same for employees or managers in public or private institutions. These are ethical principles that, ultimately, we have as human beings, even if they have different manifestations in the personal and business life. Such moral principles should be respected by managers, employees or business owners. For managers and employees, these moral duties override the duty to act in the interests of company shareholders. If, for example, an employee of a company has good reason to believe that a product sold by her employer is very harmful to consumers, she has an obligation to try to prevent harming the consumers, even when this is not in company's benefit. The obligation to prevent harm is a general moral obligation, which should be respected in all contexts: in business or in personal life. Returning to Friedman's article, we do not have good reason to believe that he would deny the existence or prevalence of these general obligations.

In the same line, some argue that moral principles apply to personal life, but not to business life, where profit maximization is the main purpose. There is no reason to believe that the application of moral norms is confined to the level of personal relationships. In the same way as people should observe certain moral rules in their personal lives, they should comply with moral norms. Of course, relevant moral principles and values are significantly different in the two fields; other moral norms and values occupy a more important place. For instance, in their personal lives, people have an obligation to actively help friends achieve their goals, sometimes even sacrificing own interests. Such behavior is not morally obligatory the business life, where other obligations, for instance to respect agreements, become essential. Other norms apply both in business and personal life, but in different ways. For instance, the general principle of being honest takes very different forms in a friendship relation and in advertising, but has its relevance for both fields.

In spite of the differences mentioned above, principles of personal and corporate ethics are particular cases of the same general ethical principles in different contexts. It is the same moral principle that is violated when someone breaks a promise made to a friend, in his personal life, and when a boss breaks a promise made to a subordinate. Emphasizing the continuity between business ethics and personal ethics is essential for understanding that moral requirements in business are not different or necessarily weaker than in personal life (Jennings, 2009, xiv). Although various circumstances can be relevant, the mere fact that the promise is made in a business context does not make its breaking more acceptable.

4. CONCLUSION

In this introductory article, we defend business ethics against some objections stating that ethics has no place in business. We argued that there are ethical norms applicable to the field of business, and that they can be seen as particular manifestations of some general ethical principles, which we have as human beings. As a secondary result, we argued that the well-known Friedman's arguments against corporate social responsibility should not be interpreted as general arguments against business ethics. In order to fully defend and justify the field of business ethics, other objections should be also answered. Ethical relativism, the idea that moral norms vary widely from culture to culture, poses such a serious threat to ethics, which should be examined. A more detailed analysis of the reasons why, in the field of business, ethics and law are distinct, and obeying legal regulations is not enough is also needed.

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