Ethics, Entrepreneurship, and Professional Life

Overview

Ethics is an ancient, cross-cultural discipline that dates back thousands of years. It centers around the concepts and practice of regard and respect. This is true of the field of business ethics, which has been an area of focus since the mid-twentieth century. Given its long history, what appears in this chapter is a summary of some concepts and themes that have been significant to the development, and discussion of ethics and business as it is known today.

What appears below is not only a summary of these ideas but also claims and quotes by some of the most significant thinkers on the topic. In this regard, this chapter should be viewed as an educational working draft… a set of notes to be elaborated upon.

As you read this, keep in mind that learning is developmental, and that includes learning about ethics. Ethics requires critical thinking; it is not simply an idea, a thought, or passing feeling. It is best, then, to reference this text as resource for thinking about ethical issues that emerge in business and the professional life.

Introduction

The primary purpose of this chapter is to introduce you to the theory and practice of ethics, particularly as it applies to business. Emphasis will be placed on ethics and entrepreneurship, and what it means to be a professional. Some of the questions and topics to be addressed include:

> What is (Philosophical) Ethics?
> What does it mean to behave ethically?
> What is the difference between personal values and ethical and moral values?
> Why do conflicts in ethical values emerge?
> The moral dimension of being a professional
> What are some of the ethical dilemmas that business owners confront?
> Can ethical conflicts and dilemmas be resolved, and, if so, how?
> Why is ethics education important?
> Why are business- and owner-client relationships types of moral communities?
> What are some of the ethical responsibilities of owners and clients?
> Why should you develop a code of ethics for your organization?

What is (Philosophical) Ethics: A Short Overview

Ethics is a branch of philosophy that examines the value of actions, in general and in particular. It attempts to identify criteria for positive value actions (right=good) and negative value actions (wrong=bad).

The study of ethics dates back thousands of years across the globe. Ethics, ethical codes, and ethical principles can be found in every culture, philosophy, and belief systems. Every culture has a golden rule. Further, some common principles include:

Do not harm.
Have good aspirations.
Have "right" speech.

All cultures have codes of ethics and principles upon which those codes are based. It sometimes seems that there are more differences than similarities; however, as Michael Brannigan explains, moral behaviors and practices are what we observe. Those observations often lead us to make judgements without knowing, and understanding, the rules upon which those actions are based. More importantly, those rules are based on principles that have a deep and rational significance (Michael Brannigan, *Ethics Across Cultures*, Pearson, 2001).

Such confusion and misunderstanding leads to conflict. An examination of these principles indicates more commonality than we might have thought. It might be best to view those as starting points for an understanding of what we believe to be right and wrong, and why we believe that, as opposed to irreconcilable differences in belief. Beliefs are complex and can complicate situations. We might not understand why we have them. Moreover, not every belief is true, and ethics requires us to seek the truth.

Ethics is interwoven into our daily lives. It is about relationships, how we treat others and ourselves. It also pertains to how we treat entities such as nonhuman animals and the environment. At the same time, it is about us, our actions, and judging our own actions as right or wrong based on rational principles. While emotions might not be irrelevant, they can be fickle. Actions should be based on reason since reason can provide logical justification, and not simply an explanation, for an action. In short, ethics is rational.

Assumptions of Ethics

Ethics is rational.
People are moral equals (meaning they are deserving of moral consideration).
    —born human
    —rational
    —autonomous
    —sentient
    —the ability to be a "self" or "person"
    —the ability to have projects, plans

People, therefore, have dignity and should be treated with respect. (See Michael Brannigan, *Ethics across Cultures*)

Personal Values and Ethical and Moral Values

There are different types of values. Two types are personal values and moral values. Personal values are often based on emotions as well as reason, but they tend to be somewhat subjective. We might like chocolate ice cream, pizza, fiction, horror films, and so forth. Ethical values are

more objective and are determined by reason. They are not based on personal interest, though. People in general have an interest in ethical values. As human beings, we all have an interest in not being killed, or harmed in any way. We all have an interest in not being lied to. "An interest in" means that it is in our nature of humans to grow and develop, and such actions undermine that growth.

People sometimes confuse these two types of values. Doing so might make it difficult to understand why some actions are arguably not justified.

Self-Reflection, Understanding Ethics, and Moral Decision-Making

Self-reflection is a key factor in getting to know ourselves and provides the foundation for decision-making. The purity of our intention matters, though intent alone does not determine virtue. This intention must be grounded in free will. Virtue is not grounded in simply following rules. Ethics requires people to develop good habits, but to do so because the actions and behaviors we perform and adopt are morally worthy. Just because we think something is true doesn't make it so. We have to engage in critical thinking to test the truth of such ideas and beliefs.

Ethics requires critical thinking, and ethical and moral decision-making entails deliberation. Deliberation is the reflective process of being aware of choices, identifying all possible courses of action, and identifying all possible consequences. Deliberation, then, entails the ability to make choices.

Critical Thinking → Good Intention → Good Actions → Good Habits → Good Character → Critical Thinking

A Moral Agent has the capacity for deliberation.

Moral Agent → Intention (active and passive) → Action (or failure to act) → Consequences

Moral: the capacity for deliberation --- good results
Immoral: the capacity for deliberation --- bad results
Amoral: no capacity for deliberation

Steps for making moral decisions:

1. Identify the dilemma.
2. Identify the factors and reasons that make it a moral dilemma.
3. Identify possible courses of actions for resolutions.
4. Choose an action.
5. Evaluate the course of action chosen.

Making ethical and moral decisions is a process. Ethics is dynamic, even though it is founded in, and works toward, the development of good character. Again, we grow and develop as human

beings, through our actions, which ought to be based on good decisions. That does not mean that ethics is subjective; rather, it means that new factors might impact decision-making that provide insight for a clearer and more direct examination into what is considered right and wrong.

Ethical dilemmas and conflict can be resolved, but one must know oneself, engage in critical thinking about ethical issues, and understand the importance of relationships with others.

Ethics in Business and the Professions: The Moral Dimension of Being a Professional

While it can be argued that all people have duties to society, professionals have duties in light of the activities of their chosen profession. The professions provide services to society for its betterment. So, the members of the various professions should be mindful of this.

The Moral Dimension of Being a Professional Entails

1. A dedication to a particular way of life that enhances the profession and society.
2. Activities/service important to the functioning of society and its betterment.
3. Putting service to society and often the individual ahead of, or at least equal to, personal gain.

(Taken from *Health Care Ethics, Principles and Problems* by Thomas M. Garrett, Harold W. Baillie, and Rosellen M. Garrett [Englewood Cliffs])

Business entails many professions, and it can be argued that it is, in itself, a profession.

Another view on this has been provided by Louis D. Brandeis.

Business as a Profession: (Louis D. Brandeis, *Business—A Profession, 1914; see http://louisville.edu/law/library/special-collections/the-louis-d.-brandeis-collection/business-a-profession-chapter-1*)

"The peculiar characteristics of a profession as distinguished from other occupations, I take to be these:

First. A profession is an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent learning, as distinguished from mere skill.
Second. It is an occupation that is pursued largely for others and not merely for one's self.
Third. It is an occupation in which the amount of financial return is not the accepted measure of success."

Business is a Moral Community
It entails relationships.
It has obligations to society and its community.
It depends upon the conscientious actions of individuals in this community
Its success depends on quality, accuracy, trust, and truthfulness. It must have integrity.

Ethics in Business and Business Ethics for the Entrepreneur

While many people have considered the notion of business ethics to be a contradiction in terms, businesses have become increasingly aware of the reliance on and the need for an inquiry into an application of the ethical principles that guide their behavior and decisions. Indeed, embedded as we are in a capitalistic society, no one is left untouched by the activities of business. People compete in accordance with their right to free enterprise, are consumers of the products that enable businesses to reach their fruition, and work in a variety of positions as employees. They are exposed to advertisements that incessantly present them with an array of choices. Clearly, the web of relationships one develops in a capitalistic society can present an individual with many problems. Yet, who depends on whom? What are the responsibilities and rights of people and businesses in such relationships? Does "anything go?" Why should anyone be moral, anyway?

In this section, we will attempt to answer these and other questions concerning the nature of business and its actions. We should be mindful of the nature and status of corporations and reflect upon employee-employer relationships; hiring practices; the impact of corporate activities; governmental regulation; and such controversial issues as bribery, deception, intellectual property, and price fixing.

Corporations have been recognized as legal persons in some countries, such as the US. This causes problems in that corporations do not have a moral conscience like people do. Moreover, business is viewed as having a specific purpose—to make money—and the bottom line of profit is all that matters. Yet, giving businesses an exception seems problematic. Legal person or not, people have duties, as do all organizations. The growing field of business ethics is an attempt to determine what those duties are and why they are important. Ethics and entrepreneurship is a more recent area of business ethics that has been explored, perhaps given the more recent emphasis on entrepreneurship.

The concept of business ethics might bring to mind problems that have emerged in society due to corruption, deceit, and mismanagement. It is often thought that "bad" people can make a good company bad, but it should be recognized that corporations, businesses, and organizations can and do provide positive or negative contexts in which an employee can make good, or not so good, ethical decisions. That is, companies can be ill formed and ill functioning. They might have owners and other leaders who have engaged in unethical behavior, providing a context for behaviors by others that leave much to be desired. Businesses, employers, and managers must set the standard for ethical behavior by being ethical, establishing ethical policies, and engaging in dialogue with members of their moral community. This is particularly true for small businesses and entrepreneurs. Their work, and mission, has been chosen personally, and that provides opportunities for particular types of engagement that can foster a better understanding of, and appreciation for, the work to be done.

Ethics and the Entrepreneur

Research indicates that entrepreneurs take ethics more seriously than other business people do. If this is true, it might be easy to see why. There is often something very personal about the business one chooses, often with a passion. They must believe in themselves and the "product" they offer. The moral community of the entrepreneur also involves families, and perhaps friends,

who often play a key role in the development of such products and activities. Further, employer-employee relationships are established, and these relationships require honesty and trust, like all other relationships, to be effective. Relationships with clients further establish a bond that exists, or potentially exists, between owner and client.

Given the importance of these relationships, it is of the utmost importance for every member of the business/organization to understand what is at stake. The service to society must be understood and it must be performed with integrity. The goods produced must be of good quality. How they are advertised must be honest, and how they are to be used must be communicated truthfully and effectively. Perhaps most importantly, the individuals in this community, from owner to employee to client, must be treated with respect. They should be "better off" from the service as owners, workers, or clients. In short, one must ask, "will this improve people and society?" It is rational to engage in actions that will only improve ourselves and others. It is not rational to harm or intend to harm.

To best help people understand this, and what is at stake in business, people must be encouraged to think about practices and issues that are at the heart of the business. Ethics training and education is important in helping to foster an understanding of the importance of ethics in the organization and can help one to determine if someone thinks their values are compatible with those of the business. Dilemmas do not usually occur in a vacuum. Moreover, in a business, dilemmas usually involve more than one issue and more than one person. Discussions about ethical issues can help develop critical thinking about dilemmas employees might confront. Training can aid people in identifying ways to resolve those dilemmas and act with integrity. It also helps people know what is expected of them.

<div align="center">Personal Integrity <————> Organizational Integrity</div>

For employees to act with integrity, they must act with good intention and understand what is being considered. Otherwise, they might perform an action that might or might not be good, but even if it is good, in some way, the virtue is lacking. Upon reflection and examination, they might better understand what should have been done, and why. Ethics education, orientation, and discussion can aid in this.

General Ethical Concepts Principles

Some of the principles that are important in business, and in life, include:

> Trust
> Honesty
> Respect
> Truthfulness
> Care
> Justice (needs, entitlement, fairness, distribution, etc.)
> Honor (including of legal obligations)
> Accurate disclosure of information/practices
> Confidentiality

These play a role in establishing positive, successful relationships. They seem to be obvious, but without an understanding of the importance of each, which discussion can help one secure, it can be easy to assume that they are being practiced when they might not be.

Entrepreneurs have the duty to inform employees of their expectations and explain why these principles are important. Developing a code of ethics that incorporates these, and other, basic principles will provide clarification for owners and employees, as well as for customers. Be sure that it focuses on your responsibilities and what you hold to be of value. Mentioning customers is fine, but you should focus on what they can expect from you, not vice versa.

How to Develop a Code of Ethics for Your Small Business

First, the codes should apply to you and not simply others. It should stipulate what you value as a business or business owner, and why.

Second, it should be coordinated with your mission statement.

Third, be sure to stress what employees and customers can find of value in their work, and your product or service. Note specifics concerning how you will serve them.

Fourth, highlight what is expected of employees. Be specific. For example, how welcome to questions will you be? Is there a due process for concerns, reporting problems, and so forth? People need to know who they can contact when they have, or see, a problem. Note their rights and responsibilities in the organization and remind them of their legal rights. In addition to the standard information concerning wages, leave, and other benefits, employees will be expected to know what is expected of them. A Code of Ethics can help in this regard.

Fifth, note what you will do to ensure confidence in your employees and clients.

Ethical and Moral Problems in the Workplace

W. Michael Hoffman's *In Search of Ethical Leadership* (Keynote Address, Samaritan Counseling Center, NM 2003) outlines some of the reasons for problems in the workplace. There are *Ethical Sins* that are often at the root of all problems. These include:

> Ethical Blindness
> Ethical Muteness
> Ethical Incoherence
> Ethical Paralysis
> Ethical Hypocrisy
> Ethical Schizophrenia
> Ethical Complacency

Likewise, *Moral Mazes*—the difficulty for employees to know what to do—can be a more fundamental sin (Robert Jackall), but it can be prevented with open and honest communication, as well as continual dialogue.

Without a clear ethical and moral vision in a business, it can be easy for problems to develop. For example, it must be clear that a business provides a service to society, and that it has a moral obligation to it. Legal person or not, the individuals and leaders must act individually and collectively toward honoring that obligation. Laws and regulations must be known and understood. Activities should be legal and ethical; engaging in bribery undermines fair competition. Not disclosing information about products, profits, and so forth, or being dishonest about a policy, product, or practice, undermines honesty and truthfulness and promotes harm in the short and long term. Using other people's ideas, logos, or images, without giving credit to them or purchasing the rights to use them, is theft. Breaking confidentiality undermines an individual's right to keep secrets about oneself that are important to one's identity. Seeing wrongdoing of ethical and legal importance causes conflict internally for both an individual and an organization, and gives justification for whistle blowing.

In short, a business, large or small, must be built on a foundation of ethical principles, not simply ethical codes. The codes and principles must be communicated to employees at every level. They should be discussed in order to provide opportunities for them, and clients, to know who and what the business entails, and what they can depend upon in using a service or product. Without this, a business cannot be successful in that it simply won't have integrity. Ethics in business requires accurate knowledge of products and practices that ensure delivery in the best possible way. It has been said that people do the best they can in a situation. Businesses should provide the best context and environment possible for 'the best' possible actions.

Summary

Ethics is at the foundation of a successful business. Likewise, critical thinking is important to the success of a business, large or small, and to the success of ethics. Here are some guidelines for ensuring success ethically and in other ways. An ethical business is a successful business.

Entrepreneurship entails:
　　　—a commitment to a vision (personal and monetary investment)
　　　—passion for a plan (desire for an outcome)
　　　—the betterment of something, and ultimately society (relationships)
　　　—leadership

An entrepreneur should:

　　1. Know themselves.
　　2. Try to find the truth.
　　3. Have sound opinions.
　　4. Avoid critical thinking problems.
　　5. Ask questions.
　　6. Be observant.
　　7. Clarify issues.
　　8. Conduct an inquiry.
　　9. Interpret evidence correctly.
　　10. Analyze viewpoints.
　　11. Form judgments that are well founded.
　　12. Avoid exaggeration.

Ethical leadership is essential to entrepreneurship. An ethical leader is a successful leader.

An ethical leader has:

- an awareness of self and others (which is a process)
- an awareness of the biases one has
- an awareness of the relationships within one's community (macro and micro)
- the recognition that when we act in a particular manner, we establish guidelines for others' actions as well
- trust, for without trust it is difficult to depend on ourselves as well as others
- the realization that people are not perfect and that everyone makes mistakes (people tend to grow mentally and morally throughout their lives)
- the belief that radical changes are possible, though they might be difficult to make
- taking risks (which requires self-esteem)
- care and compassion
- an awareness that people have common interests as well as differences
- the recognition that ethics is interwoven into our everyday lives

Individuals and businesses alike must be committed to doing the best to honor their professional, and personal, obligations. They must work together to determine their mission, values, and ultimate goals. They must seek the best and realize that they are models for each other. Asking "what if others were to do the same," as Immanuel Kant suggested, will help them realize that people are the rule, not the exception. Only then can business be ethical and successful.

*Material in this chapter has been obtained from research conducted, and courses taught, by Dr. Joan Whitman Hoff. Select ideas obtained from other philosophers have been noted.