

Ethics of Business or Ethics for Business? Two Models for Teaching Business Ethics

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| **Abstract**

Purpose

The aim of this article is to present two models for teaching business ethics: ethics of business and ethics for business. In the article, I defend the thesis that business ethics taught in corporations (ethics for business) is not a simple continuation of academic instruction (ethics of business) and should not be treated as such.

| **Methodology**

To justify the foregoing thesis, I refer to both theoretical and empirical research carried out by business ethicists, as well as to my own experience as an academic teacher.

| **Findings**

Taking into consideration the differences that occur between the two models of teaching business ethics, and also the threats associated with implementing ethics programs in companies, I conclude that in-company business ethics instruction does not constitute a continuation of academic instruction.

| Originality

This study and conclusion can help to improve the process of teaching business ethics at both academic and corporate levels.

Key words: business ethics, corporate ethics program, instrumental approach, moral autonomy

JEL: M14

| Introduction

The aim of this article is to present two models of teaching business ethics. I define the model characteristic of academic teaching as ethics of business, and the model used in corporate training as ethics for business. In the article, I defend the thesis that business ethics taught in corporations (ethics for business) is not a simple continuation of academic instruction (ethics of business) and should not be treated as such.

To justify the foregoing thesis I will refer to both theoretical and empirical research carried out by business ethicists, as well as to my own experience as an academic teacher. Since 2008, I have been giving lectures at the Cracow University of Economics in Poland in subjects such as business ethics, social philosophy, and recently in corporate social responsibility (CSR). I was also co-organizer of a seminar¹ within which theorists and practitioners exchanged views on business ethics and CSR.

| Why is business ethics taught in corporations not a continuation of academic ethics instruction?

The model defined as ethics of business (EOB) differs from the model which I call ethics for business (EFB) by using different means of teaching business ethics. In the EOB model, business ethics instruction is carried out within the framework of lectures or practical classes, while in the EFB model it is carried out by a specialized company unit. The two models differ from each other (my analysis does not claim to completeness) with respect to their aims, their means, the concept of human person, the view of morality, their impact on social well-being, and the possibilities of being integrated with existing scientific theories.

In the EOB model, it is crucial to pose questions and instruct students on how to identify problems, name them (“An ininnominate problem is not a problem”), and how to search for answers

¹ The seminar was initiated by Prof. Janina Filek in 2009 as a platform enabling the exchange of views between theorists interested in CSR who run their own research in various specific fields (management, law, ethics, sociology, psychology) and business practitioners. Detailed information can be found at www.filozofia.uek.krakow.pl/csr.

independently. In the EFB model, employees are taught to act ethically in order to solve real company problems (e.g. reduce transaction costs, reduce material wastage etc.). This treats the broadly understood concept of business ethics as a means for building competitive advantage (Jones 1995: 422, 423).

In order to reach specific goals, instructors who teach business ethics according to the EOB model must induce students to think critically and urge them to question common solutions, to engage in discussions, and to advance bold ideas and arguments. In contrast, instructors who teach business ethics in accordance with the EFB model must aim to standardize employees' behaviour (Weaver et al. 1999: 42). The ethics programs used within this model, which contain codes of ethics, ethics instruction, ethics experts, and procedures for reporting improprieties (e.g. hotline), constitute a fragment of a wider command-and-control mechanism used by companies (Wolcher 2011: 20). According to what Ronald Coase (1937) demonstrated in his analyses, a company is created when the coordination of business activities brought about by an entrepreneur within a hierarchical bureaucratic structure (organization) is less expensive than each negotiation and every transaction carried out individually on the free market. It also has influence on the character of business ethics adopted in such organizations. Just as routine economic decisions can be taken on the basis of the command-and-control principles adopted by a company, rather than on the basis of each negotiation on the free market, more effective decisions concerning moral problems can be taken on the basis on the principles laid out in the codes of ethics rather than based on each problem analysis, and every negotiation with the interested parties (e.g. employees) (Wolcher 2011: 20, 21).

The two models also imply a different concept of human person. In the EOB model a person is treated above all as an autonomous agent whose autonomy is guaranteed and confirmed by moral norms. In the EFB model, a person is chiefly a performer of a specific organizational role such as an employee, an accountant, or a middle-level manager. She or he is expected to perform the given role as well as they can, and shaping their moral convictions is meant to assist them in reaching this aim. Accordingly, companies enact codes of ethics, and provide ethics instruction in order to help the employee adhere to the principles adopted by the company or assimilate the values advocated within the organization. Consequently, the company ethics programs take on a twofold character. They are either geared towards making the employees comply with the ethical principles as compliance-based programs or making the employees assimilate moral values as values-based programs (Weaver et al. 1999: 42; Stansbury, Barry 2007).

Due to the fact that in the EOB model a person is perceived as an autonomous moral agent, the moral principles and convictions also have value independent (but not necessarily absolutely) of the benefits that they might but don't have to provide in the economic life. In contrast in the EFB model (as already suggested), the instrumental approach prevails where morality constitutes one of the means of ensuring effectiveness in a company. Usually the company's management is interested in implementing ethical norms in their organization, as long as they can expect a positive impact on the bottom line.

If we retrace Amartya Sen's (1993: 52, 53) question about the economic sense of business ethics, and if we understand this sense as a contribution to the improvement of the society in which one lives, than the business ethics taught with the EOB model contributes directly to this improvement. This is because people who are more aware of moral problems and are more morally sensitive create a better social community. However, the business ethics taught with the EFB model contributes to the improvement of the society at large only indirectly at best, through emphasis on showing concern about other people's advantages lies in the best interest of the entrepreneur. This is so-called "enlightened egoism" that corresponds with the slogan: "ethics pays" or "doing well by doing good" (Wolcher 2011: 13).

These differences between the academic EOB model and the corporate EFB model show the first model meshing with the moral theories like Kantism, utilitarianism or virtue ethics, which emphasize the agent's rationality, autonomy and responsibility (Jones et al. 2005). The second model dovetails with the theories of the firm (principal-agent theory, transaction cost theory, etc.) that emphasize management and control over employees as well as effectiveness. This assumption is confirmed by the instrumental stakeholder theory (Jones 1995) and empirical research (Weaver et al. 1999) that imply companies' formal ethics programs constitute a control system. This control can be geared towards punishing those who infringe on the accepted norms, or encouraging employees to identify with the values advocated by the company.

The research demonstrated that the scope of the ethics programs, i.e. their constituting elements such as procedures, hotline, training etc., are influenced primarily by external factors (e.g. government regulations, media pressure, social expectations). It was also demonstrated that the attitude of the high-level (top-level) management (their understanding of the value and meaning of business ethics) has influence on the scope and character of ethics programs (Weaver et al. 1999: 53, 54).

The differences between the EOB and EFB models support the conviction that ethics instruction given in companies is not a simple continuation of academic instruction. The following section presents arguments to support an additional thesis that business ethics taught in corporations should not be treated as a continuation of academic teaching.

Why should business ethics taught in corporations not be treated as a continuation of academic ethics instruction?

Both theoretical analyses (Stansbury, Barry 2007; Lewicka-Strzałeczka 2010: 47–50), and empirical research (Helin et al. 2011) indicate that company ethics programs using the EFB model, emphasizing control and employees' compliance with company's rules², pose an indoctrination, ethics

² To illustrate the problem of uncritical compliance with the rules binding in a community or organization, business ethicists recall the example of Adolf Eichmann, who sending Jews to concentration camps claimed that he was an advocate of Kant's ethics and his actions complied with the common law that he associated with the Führer's will (Jones et al. 2005: 82; Wolcher 2011: 19–21).

politicizing, and competence atrophy threat. Indoctrination consists of systematic inculcation of the system of values advocated by the company into the employees, with simultaneous deprivation of the possibility of critical evaluation of the system. This leads to undermining the moral imagination of the agents engaged in a given problem situation, i.e. undermining the ability to picture alternative solutions of a moral problem. The lack of the possibility of unrestrained interpretation and criticism of the inculcated values undermines the moral autonomy of the agents, and weakens the collective potential for change.

Politicizing of ethics consists of taking advantage of ethics programs to engage in underhanded schemes, to entrench the power of the management, and to remove management's responsibility for improprieties in the company. An ethics program can be treated as a way of coercive disciplining of employees, serving aims that they do not accept. In turn, atrophy of moral competence consists of undermining the ability of the individuals to recognize moral problems. This is caused by a high degree of formalizing the ethics programs, indicating typical solutions to moral problems in the ethical codes, and instructing employees to seek the advice of the ethics manager or a special company unit in atypical situations.

The foregoing threats connected with the use of the EFB model attest to the fact that the instruction given in companies and the implemented ethical programs may be at least morally dubious (Weaver et al. 1999: 53). They should therefore undergo moral evaluation themselves. The basis for such evaluation may be afforded by the EOB model of instructing ethics. By stimulating a discussion about moral problems in business, this model enables a critical reflection on company operations and the associated toolkit. Enhancing students' knowledge of the moral theories and teaching them how to identify, analyze and justify attitudes to moral problems in economic life leads to reinforcing their sense of moral subjectivity and autonomy. It also develops moral imagination of the future employees and managers, and teaches them to pose fundamental questions, such as "Who am I?"; "Who can I entrust with the control over my conduct and its moral evaluation?"; "What standards should I use to evaluate what good fulfillment of a social and organizational role consists of?"; and "Should I continue to perform this role in this way and not another?".

Business ethics instruction at the academic level should aim to make students aware that they should always ask about their social and cultural order, and what it needs them and others not to know (MacIntyre 1999: 328; Wolcher 2011). It is therefore indispensable to maintain criticism and keep the instrumental approach to teaching business ethics in perspective.

Corporate instruction in business ethics could be considered a continuation of academic teaching only on the condition that it preserves the analytical and critical approach that should be the hallmark of academic instruction. Considering the nature of the company, it may be practically impossible and should not be expected. The continuation can come into effect only if the instrumental approach to ethics, characterized (among other things) by a tendency to indoctrinate, is already or going to be accepted at the academic level. This should not be allowed, however,

and that is why business ethics taught in corporations should not be treated as a continuation of academic ethics instruction.

| **A response to critical remarks**

Speaking during the conference on “Business Ethics: Education At University and In Company”³, I was reproached by some participants for too harsh a separation of the two models. It was also proposed that a new specific “third way”, i.e. a compromise model, could combine the EOB and EFB⁴ approaches. I agree that academic reflection cannot be, and should not be, separated from the practice of the economic life. The subject matter of both academic analyses and company instruction is the problems of individuals engaged in business activity (managers, employees, business owners etc.).

Nevertheless, the two approaches differ significantly in respect to how the subject matter is analyzed. In the EOB model we are interested in the moral evaluation of business actions in view of the standards grounded in the moral theories⁵. The focus of the EFB model is to spread such values and principles in the practice of economic life that will best contribute to maximizing the company’s profits. I believe that we should not overlook or blur this difference; therefore, I oppose the search for a compromise model of business ethics instruction.

An allegation could be raised that my proposal favors the EOB model at the expense of the EFB model. It is not my intention to present things in this way. I do not claim that the EFB model is unnecessary or harmful. In quite the opposite direction, I think that a company, like any other bureaucratic and hierarchical organization, has its own logic that the EFB model is compatible with. I do not see anything wrong with encouraging employees to absorb and adhere to certain moral values advocated by the owner or the management board, as long as this is accompanied by respect for rationality and the moral autonomy of the agents. I believe that business ethics instruction should not be limited to only such steps, especially with the condition that respecting rationality and moral autonomy of the agents can be very easily violated while using the EFB model.

What should business ethics instruction at the corporate level be? Are there any accepted criteria for it? Research in academic business ethics can help to point out the answers. I am convinced that respect of the agent’s rationality and moral autonomy is the basic requirement that has to be fulfilled by any kind of business ethics instruction (including BOE and BFE). However, I think that it is possible to comply with this requirement with the view of human person existing in BFE. For example, we could invoke Kant’s opinion that people should not be treated merely as means but always also as ends in themselves. Thus, some scope of instrumental treatment of

³ The conference was organized by Business Ethics Centre on December 7, 2011. I presented a paper on the two models of business ethics instruction (EOB and EFB) discussed in this article.

⁴ I would like to thank the organizers and participants for inspiring comments and the opportunity for that discussion.

⁵ We can also take into account the different kinds of axiology.

other people is permissible as long as we still remember that they have their independent moral value.

To establish more precise criteria for proper business ethics instruction at the corporate level, we have to further investigate issues lying beyond the discussion about EOB and EFB. These issues concern description and justification of human and corporate agency, normative status of real and corporate agents, scope of their moral responsibility, etc. There are some very interesting insights into this matter that have been presented recently by Philip Pettit and Christian List (2011) but their analysis is beyond the scope of this discussion.

It might be assumed that I perceive the downsides of the EFB model without simultaneously paying attention to the EOB model liabilities. Of course, the latter model is not free from difficulties. For example, they concern defining the scope of business ethics as an academic discipline. Should the scope concentrate on problems linked to commercial exchange transactions such as trade negotiations and fair price, or on ways the corporation operates like stakeholder inclusion and corporate social responsibility (De George 1987; Marcoux 2009)? These difficulties are also connected to the lack of openness and criticism in the academic model of business ethics, which are manifested by insufficient inclusion of contemporary philosophical reflection, schematic approach to classics such as Aristotle, Bentham or Kant, and a tendency to offer solutions to moral problems instead of analyzing them (Jones et al. 2005: 1–9). A separate problem is posed by the empirically documented low impact of academic business ethics courses on managers' actions and attitudes (Marnburg 2003).

I am convinced that at least some of these difficulties arise from the wrong perception of the relationship between the EOB and EFB models. I also believe that it must not be forgotten that business ethics instruction at the academic level has its source in scientific research, which must be conducted with the cooperation of scientists who belong to different academic fields, such as economics, management, law, sociology or psychology⁶ (De George 1987: 240). Perhaps some of the problems of academic business ethics consist in paying excessive attention to the practical dimension of instruction (modifying the managers' and employees' reasoning, behavior and attitudes) paired with insufficient involvement in scientific research carried out together with the representatives of other social sciences.

⁶ In order to meet those postulates, we have brought to life, together with colleagues from Cracow University of Economics and scientists from other research centers in Poland, The Collective Responsibility Interdisciplinary Group. Detailed information can be found at www.philosophy.uek.krakow.pl/crig

| Summary

Proper consideration must be given to the differences between the EOB

and EFB models, which concern (among other things) the aims, the means, the view of the man, the view of morality, the impact on social well-being, and the possibility of integration with ethical or economic theories. As a result, I believe that in-company business ethics instruction does not constitute a continuation of academic instruction.

One must also take into account the threats associated with implementing ethics programs in companies (i.e. the EFB model), such as indoctrination, politicizing of ethics, and atrophy of moral competencies. Taking heed of the critical potential of the EOB model, which can constitute the answer to those threats, I additionally believe that in-company ethics instruction should not be treated as a continuation of academic teaching.

Finally, I also believe that while developing academic business ethics courses, one must not forget about conducting in-depth, interdisciplinary scientific research in the field of business ethics.

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