ETHICS APPLIED TO BUSINESS
ETIKA PRIMIJENJENA U GOSPODARSTVU

Summary
The author’s central concern is how conflicts of interests and roles in business should be properly evaluated. Through the study and analysis of particular cases we realize that fundamental obligation of business becomes the appeal to protect the environment, to establish economic justice and to overcome egoism, relativity, and even organizational misconduct in business management. The problem of confrontation of ethics with law, shows that the question of product liability includes thinking of everything that could possibly go wrong. Business ethics is not a theoretical science, it does not attempt to apply ethical principles violently, it rather helps us to refine our own commitments, using the problem-based form of analysis to show what is desirable to do in an antagonistic situation in which we must be aware of more and less successful ways of handling problems.

Key words: case study method, consumerism, ethical dilemma, intrinsic goodness, judgment, justice, deontology, duty, responsibility, utilitarianism.

Sažetak
Autorica govori o tome kako treba na ispravan način procjenjivati sukobe interesa i uloga u poslovanju. Pomoću analize "slučaja" saznajemo da osnovna zadaća poslovanja postaje zahtjev za očuvanjem okoliša, zahtjev za uspostavljanjem ekonomske pravednosti, zahtjev za nadilaženjem egoizma, zahtjev za prevladavanjem relativnosti i čak zahtjev za eliminiranjem pojava namjerno organiziranog, krivog ruko-vođenja u poslovanju. Problem sukoba etike i zakona ukazuje na to da sigurnost pri uporabi proizvoda uključuje anticipaciju svih mogućih šteta koje bi se mogle dogoditi. Poslovna etika nije teorijska znanost, ona ne ide na to da pod svaku cijenu nametne svoje principe, - ona nam radije pomaže steći finoču prosuđivanja, što proizlazi iz proučavanja, baziranog na metodi analize slučaja. Ta metoda nam pokazuje što je najpoželjnije učiniti u antagoništičkoj situaciji u kojoj treba biti svjestan da postoje i uspešni i manje uspešni načini rješavanja problema.

Introduction
Uvod

Business ethics had been for a long time hidden under other labels in schools and universities. Today it presents topics and forms of reasoning found in moral philosophy, as they are applied to problems in business.

Morality is concerned with practices defining right and wrong. It is used to identify a normative judgment, without making evaluative judgment about it. Moralists must distinguish from what is good as a means, and what is good as an end. ‘Intrinsic goodness’ is the basic notion of ethics. It consists of the activity which finds a purpose within itself, and not in any further end which it may happen to serve.

Ethics provides the decision procedure, especially in difficult cases when following the common sense rule does not make the best choice. In order to make cases come out right, sometimes we must modify old rules or even invent new ones, because familiar rules sometimes bring people to suffer or to fail their needs met. Kupperman (Joel J. Kupperman: The foundations of Morality, pg. 58) points out such a typical case of the man who can get the medicine needed by his dying wife only by stealing it.

We need ethics for the purpose of reaching the sufficient standpoint from which it will be possible to criticize the accepted practices in life and business of our own culture and time, especially becoming aware of our own blind spots. (Compare attitudes with slavery, subjection of women and the imprisonment of debtors in the past).
Contemporary Approach

Suvremeni pristup

The application of ethical principles differs in two general theories: utilitarianism and deontology.

Utilitarians argue that there is only one fundamental principle determining right action. In this respect a person can put forward various opinions of his own, as if they constituted the only true answer.

In utilitarianism we evaluate an action by: 1. Its consequences, 2. We evaluate consequences by assessing satisfaction, 3. We ask whether the action realizes ‘the greatest happiness of the greatest number’...

What A.C. MacIntyre (Against utilitarianism, From: Aims in Education, Edited by T. H. B. Hollins, pg. 4-5) contrasts, is the inadequacy of the theory of motives in utilitarianism, although such motives are embodied in social life. MacIntyre emphasizes that the life must never be a means to any end. The kind of life must be an activity that is not a means to any other purpose beyond itself.

So business should be a part of intrinsic value of life. John Rawls, in his article: Two Concepts or Rules (From: Theories of Ethics, Edited by Philippa Foot, pg. 145) argues that even within utilitarianism it is important to distinguish from the justification of a rule (or practice), and the justification of a particular action, falling under the rule. For example: “Why do people put other people in jail?” and: “Why was this man put in jail?”

Deontologists say that there are many principles which differ from the principle of utility, for example the principle of duty, which is in some respect good whether or not utility was maximized. For example, friendships, parent-child relations, business affiliations... which, according to what deontologists say, can never be justified on consequentialist grounds.

In business, regular customers will be treated preferentially because a relation of commitment has already been established. It means that relationships between persons have significance for reasons other than the consequences measured by profit.

The Application of Ethics to Business

Primjena etike u poslovanju

Our understanding of ethical issues concerning business has rapidly grown in the last quarter century. Business ethics develops within the context of traditional assumptions, virtues and values, using valuation as a tool for better decision making. The fundamental goal of business ethics is to show why virtues and values are so important, and how we reach the new view of quality, taking into account not only the physical attributes (strength, reliability) of products, but especially the customers needs, wants and expectations.

Virtue is not only “keeping one’s nose clean”. It is not enough to do no wrong. Virtue is doing ones best!

Business ethics is not a general application of moral principles to the specific business context. Our roles conflict and there are often no singular principles to help us decide on an ethical course of action. Against the view that ethics consists primarily of general principles that get applied to particular situations, even Aristotle thought that it was “good judgment” or phronesis that was of the greatest importance in ethics, (From: Applied Ethics, 215) good judgment which centers on “perception” rather than on the abstract formulation of general principles was the product of a good upbringing, and a proper education. Justice may sound as if it were a monolithic or hierarchically layered and almost mechanical process, including not only rights, prior obligations, and public good, but questions of merit (which themselves break down into a variety of sometimes conflicting categories), responsibility and risk.

Ethical View to Business

Etički pogled na poslovanje

The activities of business present risk of harm in many forms. Our concern now is not the nature of harms caused by business, but the responsibilities of business for correcting and avoiding harm. It seems to be a natural extension of the government to protect citizens from risk to safety, health, and the environment, which in undeveloped countries should include “paying workers a living wage”.

Prosperity also has a distributive dimension. A society that produces an enormous volume of goods but makes them available to a very few people, is not a prosperous one. So from the ethical point of view, we must provide the ‘assessment’ in relative merits and demerits of a distribution. Such a principle of distributive justice should not determine only what is the best - it must provide the ability to choose which of several alternative possibilities is the better. That’s why the question of justice is the basic topic of business ethics. As John Wilson (Education and indoctrination, - Aims in Education, pg. 24) points out, a dictionary definition of the word ‘justice’ is given in Plato’s Republic: “giving each man his deserts”. A sociological answer to the question of justice is: “It is a code of law in the interests of the ruling classes”. Socrates says: Justice is: “Each man doing his proper job in society”.

Business does aim to make profit, but it does so only by supplying quality goods and services, by providing jobs, and by ‘fitting in’ community. To single out profits rather than productivity or public service as the central aim of business activity is just asking for trouble. Profits are not the central end or goal of business activity. Profits get distributed and reinvested. Profits are a means to building the business and rewarding employees, executives, and investors. For some people profits may be a means of keeping score, but even in those cases, the status and satisfaction of winning is the goal, not the profit as such. Even Adam Smith was clear that it was prosperity, not profit, that constituted the goal of the free market system, whether or not the individual businessman or woman had this in mind.
Business is not about profits, but about productivity and prosperity. Business has a complex telos that is only in part making money - and that usually as a means or intermediary, and very rarely as an isolated end in itself. To confuse the need of business to make a profit, with the aim of staying in business, or the tendency of businesses to measure their success by their profits with the complex roles and goals of an institution in society, is to misunderstand business.

The Goal of Prosperity
Prosperitet kao cilj

Reflections on the ethics of the economic domain typically occur under two headings: Political economy and business ethics.

Political economy proceeds at the macro level. To the extent that it is normative, it asks: What set of basic economic institutions serves us best?

Here the most basic institution is property.

Business ethics takes capitalist institutions as background conditions. That means it occurs in a culture of competition that also provides opportunities of organizational misbehaviour.

In relation to business ethics, the question is: What form of capitalist institutions best promote the goal of prosperity, and why sometimes those institutions turn to crime and other forms of rule breaking?

Ecology and Ethics
Ekologija i etika

An economy does less to provide the material basis for a good life because it poisons its air, food and water and destroys the beauty of the land. Then, pure water... becomes a commodity...

Contemporary ecological problems should be investigated through the tradition of our culture which in fact has not always been environmentally responsible. The widely spread belief that everything was made for mankind's need or pleasure, is in fact only an instrumental attitude. This belief has been held by Stoics, and then by famous Christians like Origen, Aquinas, Calvin, but rejected by Augustine and Descartes.

If we regard the duality of man and nature, considering a man being created only for the purpose of salvation, the man would be unconcerned about a world - which is in that case conceived not as his true home. That will give him the careless attitude towards the environment.

On the traditional Christian view nature is not sacred, it is supposed to be the raw material for man's own ends, and that man's relationships with it are not governed by moral principles.

Attfield (Robin Attfield: Ethics of Environmental concern, pg. 56) emphasizes that the belief in an immaterial soul was introduced to Christianity from Greek philosophy - on his view the dominant Bible message is the belief in the resurrection of the body, rather than the belief in the immortality of the soul.

The respect to every creature of the nature should be influenced by the attitude that all life is of the same origin as ourselves, and therefore must be protected from harm.

Why the Economy Deals with Ethics so much
Zašto je ekonomija toliko povezana s etikom

Much of business ethics today is focused on questions about government regulation and the exclusive right of government intervention and about very general business practices and problems (pollution control, mystification and lying in advertising, employee due process, and the social responsibilities of companies to their surrounding communities).
Everyone wants a cleaner and safer environment. So why don’t we just stop polluting environment? If we won’t do it ourselves, why doesn’t the government step in and force people to stop polluting? Economics is the part of the answer. To reduce the pollution, we have to change our patterns of production and consumption. This will entail economic costs, in terms of both restricted opportunities and more expensive ways of producing and consuming goods. That means that we have to weigh the benefits of a cleaner, safer environment against the costs of environmental protection. There is to be some balance between the benefits of a cleaner environment and the cost of cleaning it up. The OPTIMAL RATE OF POLLUTION is the one that achieves the desired balance between the benefits and costs of environmental protection. (It occurs when the marginal social benefit of pollution control equals its marginal social cost).

Most of us spend more than half our waking time working, so we want the quality of our job experience. We want our jobs to be safe, socially useful, secure, interesting. We want them to preserve our dignity, that is, we want our jobs to leave us with sufficient time and energy to enjoy our home life and to develop our other human interests.

The Social Responsibility as a Link Between Ethics and Economy
Društvena odgovornost kao spona etike i ekonomije

Some authors like Milton Friedman (From: Applied Ethics: How to Think systematically About business Ethics, by Michael Philips, pg. 185) consider that the ethics in business should be minimal. On the contrary, moral philosophers appeal for respect of ethics because ethical issues connect the question of social responsibility to the need for higher standards in economy. All of us, the producers, the marketers and the consumers are at the same time members of a society, interested in satisfaction of our human needs, based on development of a prosperous economy in the future. This task is still unsystematic and untheoretic because the business practice depends of many principles that obtain in other domains of social life. But those who wish to criticize business practice by appeal to principles drawn from the center of our moral tradition, sooner or later will realize that business can be properly evaluated only in accordance to ethics.

Our behaviour is directed by motives and causes, but motives are not causes. A. J. Ayer points out, (From: Readings in Ethical Theory, Edited by W. Sellars & J. Hospers, pg. 667) that motives operate a fronte, whereas causes operate a terto. If a man’s action could be explained only in causal terms, the question of responsibility will disappear.

Social responsibility is one of the most important issues in business ethics. Every businessman is at the same time the participant in society and therefore bears a responsibility to serve and protect the general public. Customers do not pay to be cheated, but to be satisfied. Social responsibility does not invalidate the profit, it accomplishes the competitive advantage because of the future profit, so it simply adds another layer to the process of strategy development. It is integral to the business environment because it is an investment to the future business success used to differentiate the products, according to the welfare of its customers and the general public. Some authors (Courtland L. Bovée & John V. Thill: Marketing, pg. 58) estimate that according the issue of social responsibility, such criteria should be recognized:
1. Ecological impact (nonpolluting)
2. Social impact (healthy and safe)
3. Product performance
4. Product extensions, such as packing and service
5. Product information
6. Product design
7. Product embellishment, including advertising and personal selling approaches.

In the United States during the 1960s there was established a social, economic and political movement called Consumerism, focusing attention on protecting the basic consumer’s rights summarized in four claims:
1. The right to safety
2. The right to be informed
3. The right to choose
4. The right to be heard.

The Severeness of Market Economy
Okrutnost tržišne ekonomije

Moral criticisms of business practices take at least three forms: Practices are said to violate human rights, to violate some principle of commonsense morality, or to violate some abstract principle, central to our traditions (e.g. that persons should be treated as ends in themselves, or that practices must satisfy rules that promote utility). Consider Kant’s principle that we should never treat another person as a means only. Although it is not entirely clear what this means, at the very least it forbids us to disregard the good or interests of those affected by our actions. Yet business life abounds with cases in which we disregard the interests of others. It is difficult to see how a market economy could function otherwise. If we had to treat everyone as an end in himself, we could not win business from a competitor without considering the impact of our decisions on that competitor’s life (Will someone be driven out of business? Will his income be so reduced that he couldn’t send his children to college?)

In market economy people must be free to meet as buyers and sellers, considering one another merely as means to each other’s financial ends. Traditional values and principles of Western business practice have come to seem inadequate to the complex realities of the modern world, especially regarding the social responsibilities of business...

Many philosophers who have worked extensively in applied ethics, have moved toward a rejection of the traditional idea of developing and applying general normative theory because the thought about morality
has been separated from reality and practice. The result of the separation is a level of generalization and abstraction (ibid., pg. 3) that makes traditional ethical theory useless in guiding moral decision making about real problems in specific social settings.

The Confrontation of Ethics with Law
Sukob etike i zakona

Unlike laws, ethics are a matter of public record, ethics are situation specific and impossible to define precisely. Although ethics and laws are often related, it is possible to behave in ways that are legal, yet unethical. Ethics implies the establishment of a system of conduct that is recognized as correct moral behaviour. ... serving to the welfare of the group.

Business ethics is the application of ethical evaluation to business strategies and tactics.

Business ethics covers two categories of ethics topics:
1. Ethical lapses
2. Ethical dilemmas

Ethical lapses are unresolved interpretations of ethical issues. They are simply cases of unethical behaviour, sometimes leading even to illegal decisions.

Ethical dilemmas are cases which are not easy to resolve because they involve two conflicting, but arguably valid, sides to an issue. Each side trades of one group's rights or interests for those of another.

In every pluralistic culture there are many potential dilemmas involving conflicts of value.

Values and Needs
Vrijednosti i potrebe

William Frankena (W. Frankena: Perspectives on Morality, pg. 12) considers that intrinsic values are synthetic, intuitive judgments, incapable of proof and disproof, logically independent of all judgments of existence.

Most of our oughts and ought nots are instructions of our self-interest. They are instructions in prudence, not in morality. Morality consists of instructions that take the interest of other people into account. The fact that morality is sometimes ignored, serves to emphasize its significance. Those who do not believe in ethical rules for business, soon realize that every businessman must respect ethical virtues in order to establish businesses in fair relations. Ethics in business is understood as a code word for the rules of correct conduct. It aims to determine what ought to be done, which must be distinguished from what is in fact practiced.

Human needs and values are not simply related. Although human needs provide raw material that functions as a structural component of values, Abraham Edel reminds us (A. Edel: Ethical judgment, pg. 170) that need satisfaction can involve a negative conception of the good, if understood only as a relief from tension. The satisfaction of our desires can be good for us instrumentally, and not intrinsically. (Jeffrey Goldsworthy: Well-being and Value - Utilitas, pg. 6). So hedonism can be understood as a theory of well-being, but not as a comprehensive theory of value.

Values are intrinsically good because they always connote a positive notion, they leave us with what is properly our own, even in the case when these values are not coextensive with the social institutions of our age.

{Some non-cognitivist authors declare (W. H. F. Barnes, Readings in Ethical Theory, Edited by W. Sellers and J. Hospers, pg. 241) that value judgments are not strictly judgments at all. They are exclamations expressive of our approval and disapproval.}

The Ethical Approach to Egoism
Etički pristup egoizmu

The contemporary psychology evaluates egoism as a phenomenon of human distorted development. Kai Nielsen (Why Should I Be Moral? - From: Readings in Ethical Theory, pg. 754) means that man should be moral because this fits into a pattern of universal harmony of all things, and if he does not, he will never be able to attain more of what he really wants.

Although the man is regarded to be weak if he, motivated by human considerations, deals in business to his own financial discount, - doing so, he denies the assumption that egoism is natural and unavoidable. So Abraham Edel considers (A. Edel: Ethical judgment, pg. 178-179) that the major social contribution of psychology today is the assumption that egoism can no longer be self-justifying and can no longer act as a base for ethical relativity.

Ethical relativity concerns the phenomenal and the phenomenological field, but not the causal or functional relations. (See ibid., pg. 193) In addition to overcome ethical relativity, we must find its underlying dynamics. We must always concern the relation of the phenomenal field to the causal field. We have to look for the same situational meanings, because meanings are independent variables in every valuation. Relativity characterizes rather ignorance, not the truth.

Deviance in Business
Devijacija u poslovanju

Business is not resistant to many sorts of misconduct and deviant activities, especially those, occurring in the institutional context. We can identify them only by analyzing the moral and business element in human behaviour within management.

On the surface corporations are all about formulating strategy, and establishing coherent planning. But why then managers break law and their own rules of professional and corporate conduct?

Law assumes formal codes with sanctions, yet unethical conduct remains uncodified.
Deviant behaviour is behaviour which violates institutionalized expectations shared and recognized as legitimate within a social system. The social audience is crucial in defining deviance, although such definitions change over time... according to the new approaches in understanding the real motives of human behaviour.

Maurice Punch (M. Punch: Dirty business, pg. 57) argues that organizational deviance is an integral part of the organization, so it is consistent with normal organizational routines. For instance, modern society permits the extensive production of automobiles, tobacco and alcohol, although all three are highly injurious to health. So the deviance is always a sort of lacking better solutions.

**The “Case Study” Method in Business Ethics**

**Analiza „slučaja“ u poslovnoj etici**

In this method judgment is taught rather than doctrine, principle or fact. Case study method is a source of moral reflection, involving puzzles and dilemmas and having no definite solution by reference to principles. Cases are developed to recreate a managerial situation in which moral dilemmas are confronted, so our task is to know how to think and act, and how to make decision in a complex situation of an uncertain environment.

No assumption is made in this method that there is a right answer to any problem that is presented, but only that there are more or less successful ways of handling it. These ways need not be seen as antagonistic or even competitive. Instead of an analysis by use of theory, case study method prefers problem-based form of analysis. Although the theory is respected, it should not remain isolated from modification by the case study. If there are conflicts and inconsistencies in our practices and beliefs, how should they be resolved? What should we do when we face a moral problem for which society has provided no instruction? The whole theory is in fact extracted from the examination of cases. Cases provide data for theory, and refine our theoretical commitments by pointing to inadequacies and limitations of theories.

We need the case study method to develop our skills to analyze ethical dilemmas.

**Ethical dilemma:** Can Adults Learn Ethical Behaviour (According to C.L. Boveé & J.V. Thill: Marketing, pg. 60-61)

Is it possible to teach an adult how to behave ethically? And if yes, how should it be done? If not, what should we do about all the adults with weak ethics who are already working in the business world?

Is the persons value system, and the behaviour that results, primarily accepted from our parents? If so, how could our behaviour be changed? If our primarily up-bringing lacks ethical value, how our behaviour can possibly lead to an ethical one?

Some ethical questions are difficult to understand if we don’t understand the underlying business problem (that’s why the case study method is recommended).

Some countries consider bribery to be standard operating procedure, and not estimate it as an unethical behaviour.

**Ethical dilemma:** Your Right to Privacy (Ibid., 138-139)

Should the research companies be allowed to collect, store, or sell information about you, or your company?

Should the people have the right to be left alone?

**Ethical dilemma:** How Far Can We Go in Marketing to Kids? (Ibid., 172-173)

Today, both parents work and kids are doing not only more and more of the family food shopping, but they are exerting greater influence in household buying decisions. Some parents are two busy to make such decisions on their own, while others - feeling guilty about leaving the kids alone - easily accept their children’s demands.

Are the promotions of tobacco and alcohol leading kids to believe these products are desirable?

Is it ethical to encourage the kids to consume unhealthful products that rock stars or athletes use for promoting their status appeal?

**Ethical dilemma:** When Should You Just Say No to Customers? (Ibid., 192-193)

Should the companies be allowed to sell military equipment to a potential enemy? If not, what about many industrial products with legitimate commercial applications that can also be used in military applications?

**Ethical dilemma:** Is Product Liability Getting out of Hand? (Ibid., 274-275)

Number of product liability claims increases every year, and the damage awards rise constantly. The fear of litigation forces manufacturers to think safety first so they create many new products that otherwise might never have been introduced, because their benefit has previously been ignored.

At the same time current liability system costs a lot. Who's to blame? Who should be responsible if a customer is injured after unintentionally misusing a product? After intentionally misusing a product? Why?

**Ethical dilemma:** Is Skim Pricing Ethical? (Ibid., 359-359)

New products frequently require a great deal of investment, but is the price of some new products high because the product is expensive to produce, or because it is the only product of that sort on the market?
Ethical dilemma: Should Companies Be Allowed to Promote Unhealthy Products? (Ibid., 544-545)

Sports are sometimes sponsored by tobacco companies, which wrongfully implies that smoking is healthful. Cigarette manufacturers say they promote entertainment for current smokers, not for nonsmokers. What do You think, should the government restrict advertising for products considered unhealthful? How should society determine whether a product is unhealthful enough to warrant advertising restriction?

Ethical dilemma: Who is responsible for service quality? (Ibid., 695)

Is it ethical for a company to advertise quality services if it can't guarantee the 100 percent quality? What is a company's responsibility if a customer causes service quality to be less than perfect?

Conclusion

Zaključak

Interest in ethical issues applied to business increase when a society realizes that the traditional assumptions, values and principles in business do not lead to progress, but to the global crisis. In complex reality of modern world the social responsibilities of business enjoy high level of interest because of the new viewpoint regarding usefulness of ethical theory. Business ethics helps us to deepen our understanding of complex moral problems in practical life. It turns us toward contextualism, focusing on the structure of actual moral reasoning, having important implications of how we secure a sufficiently analytical perspective in genuine balance of value over disvalue. The claim for justice in a pluralistic culture exposes many potential dilemmas involving conflicts of values. Business ethics explores ways of resolving, or at least reducing the level of disagreements.

Bibliography:

Literatura
