جامعة الناصر
## AL-NASSER UNIVERSITY

# The Evolution of Business Ethics Studies

*Mr. Samir Al Baghdadi*

 **Abstract**

Business ethics, mostly ignored throughout history, has had a renaissance since the 1970s. At first, imbedding strong ethics into the fabric of business would be an exercise in futility. Finally, a small group of faculty, predominantly philosophical professors, at various universities spearheaded the drive to include more practical ethics courses in undergraduate and business curricula.

Initially, those supporters and proponents faced unwelcome feelings from their peers. The business community was equally unimpressed with the relevance of ethics as a necessary component of commercial operations. In time, the world of business came to consider business ethics as a potential threat to strong organizational performance, because they believed ethics would act as a restraint to aggressive marketing, financial and operations strategies.

However, eventually the media and public adopted "corporate social responsibility" as an important mantra, to be encouraged for all businesses, regardless of size or industry. The outside pressure from diverse public and political groups finally "convinced" business and industry to become socially responsible organizations, mandating high ethical standards for its leaders.

The world of academia expanded its business ethics initiative. Now, in many undergraduate and graduate programs, business ethics and social responsibility are important electives or, at times, required core courses. Even Harvard Business School has a required ethics course for MBA students.

Business ethics is now considered to be a separate field of study, should a student desire to specialize. A long way from historic ethical innovators, Plato and Aristotle, business ethics now creates effective frameworks for corporate leaders to adopt strategies that improve performance while maintaining ethical integrity. The evolution of business ethics studies and implementation may or may not be complete.

**The Evolution of Business Ethics Studies**

People use business ethics as a term or discussion item in multiple ways. It is as much a subjective as an objective issue. The context and definition most often depend on the "eye of the beholder." How one views business ethics typically determines the observer's mental picture and opinions about the subject.

**History**

Historically, business ethics was of little concern to the majority. However, beginning around the early 1970s, ethical commercial policies and procedures became significantly important.

Yet, the history of business ethics plays an important role in its evolution from a real world and academic perspective. Prior to the 1970s, the term business ethics was seldom a discussion. Most companies simply did not care about the ethics of their business operations, mission or corporate behavior—they were focused totally on the bottom line profits.

History displays that the term, while used almost exclusively in academic circles and published academic articles or books, seldom appeared in the media or business meetings, whether public or private. Commercial organizations cared little for the perception of common moral or ethical actions. The public or media perception of an organization's commitment to ethically conducting the business of business was of little or no concern.

Conversely, colleges and universities began to offer courses that focused on "Logic," "Epistemology," and "Ethics" in the late 1960s and early 1970s. However, most of these courses involved highly theoretical, esoteric concentrations, seldom found in business curriculums. In many cases, these subjects were offered to liberal arts students only during this period, although there were some exceptions.

Adam Smith, considered by many as the "father of modern economics," developed his economic theory in his "*An Inquiry into the Nature and Causes of the Wealth of Nations*" (commonly shortened to "*The Wealth of Nations*"), first published his iconic treatise in 1776. John Locke actually pre-dated Smith's more famous writing by publishing his treatise on the natural right of individuals and organizations to own property in 1690. However, for all their notoriety, neither economic icon addressed the issue of ethics.

Not to be lost in the beginnings of business ethical concerns is the influence of two other factors.

1. Karl Marx writings, along with his claim that "capitalism was built on the exploitation of labor." Supporters and critics alike remain unsure if Marx's claims were factual or moral in their intent. He is still given credit for helping start the global labor movement.
2. World War II. Although by the 1960s and early 1970s, the war's horrors were fading into history, its impact on the media, public and academia lingered. The need for "social responsibility" entered the business and public lexicon.

The prime focus of business ethics remains, not as much on organizations, as on the individuals therein. Supporters of strong business ethics have multiple contemporary examples in the unethical individuals that created the Enron, WorldCom and Arthur Anderson debacles.

**Academia**

The post-World War II society and its changing mores impacted the subject of business ethics. The Cold War and the unpopular conflict in Viet Nam spawned further scrutiny of the quality (or lack thereof) of the ethics of the so-called "military-industrial complex."

Businesses and their leaders endured media and public evaluation of their ethical behaviors and operations. Those organizations—and there were many—that displayed a perceived lack of ethical behavior receive scathing criticism.

Yet, it was not until the early 1970s, that the study of business ethics evolved into the academic lexicon. Academia took notice of the growing importance of business's commitment to its "social responsibility." Their response was to add business ethics courses to their curricula, many colleges and universities forsaking their former esoteric course offerings of the theoretical ethics of Plato, Aristotle and other noted forefathers of philosophical theorems of ethical behavior.

Still prevalent throughout the 70s, however, was the study of ethical issues in a social context. The first symposium devoted to business ethics apparently was offered at the University of Kansas in 1974, although there may have been less publicized and/or smaller conferences in academia prior to this event.

By design or as a chance would have it, the business ethics academic field paralleled the development of medical ethics, another academic issue seemingly forgotten prior to the 1960s. Until the study of medical ethical issues gained prominence in the 1960s, most medical studies focused on direct, technical techniques only. Business ethics remained overlooked until a decade later.

Finally, more and more business professors (as opposed to philosophy experts and lecturers) began writing about the criticality of adopting a policy of ethical behavior in the commercial business arena. However, the discussions and decisions to include business ethics in a curriculum was still the debated by a rather small group of enlightened professors during the early 1970s.

Some observers attribute the work of John Rawls, in his noteworthy treatise, "*A Theory of Justice*" (1971) as the fuel that started the fire of including business ethics into academia. Philosophers became more accepting of the importance of the subject of business ethics as a topic of studies.

The popularity of the subject in the early days, however, primarily remained confined to those philosophy professors, who also taught at university business schools. It appears these academics understood that business ethics differed greatly from the social issue context in which it originally resided. The study of business ethics became divorced from the focus on the social issues of organization management.

### Corporate World

The study of business ethics transcended to more on establishing an "ethical framework within which to evaluate a business," according to Professor Richard T. De George, Professor of Philosophy and Business Administration and Director of the International Center for Ethics in Business, University of Kansas. This view affected the corporate world, changing it forever.

Corporations, tired of the withering attacks of the media and public groups, began developing programs of social responsibility they hoped would diffuse the diverse sources of criticism. Organizations found that simply spending money did not immediately change ingrained behavior of business leaders.

Strong business ethics, responsible behaviors and corporate programs that enhanced society as a whole had to germinate and flower over time. As more corporations adopted socially and environmentally responsible programs, they became more effective.

At the same time, more university and business school graduates studied business ethics, becoming more enthusiastic about their social and corporate responsibility. As more of these academically trained and educated future leaders infiltrated corporate organization charts, the focus on business ethics continued to evolve in academia and the world of business.

Archie Carroll, Professor Emeritus at the Terry College of Business, University of Georgia, authored "*The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*," in 1991. Carroll's pyramid theory first caused some to view business ethics as a roadblock to strong economic results. As a result, the general business community did not warmly welcome business ethics supporters. Actually, the business fraternity initially viewed business ethics proponents as a threat to corporation performance.

### Business Ethics Current Influence

After the neglect throughout history of business ethics, except for a few noted philosophers, the world took note in the 1960s and moved to action in the 1970s. Since its acceptance beginnings and the embrace of academia—eventually the business community—business ethics has occupied "center stage" in, at least, two primary areas.

- *Corporate and social responsibility.* Organizations without a formal mission or commitment to corporate and social responsibility are becoming rare. Those that lack stated responsibility commitments still suffer the "slings of public and media arrows" at their neglect of actions to improve and contribute to society as whole.
- *Environmentally friendly efforts.* Although discussed since the 1970s, it is only in the past decade or two that concern for protecting the environment by individuals and corporations stepped to the forefront. "Living green" was a reality in small groups of concerned citizens until the dawn of the 21st century. Now, most businesses are either taking actions to make positive contributions to (or, at least, have "neutral" effects on) the environment.

Both of these major features are components of or outgrowths from business ethics studies and best practices. In the minds of many, business ethics has evolved into both a worthy field of study for academics and formal "movement" for companies, large and small.

After paying little, if any attention to ethical concerns throughout history, the business world and its leaders have adopted ethical standards for its leaders and its operations. Cynics might add that until corporations faced seemingly insurmountable outside pressure to adopt these policies of social responsibility, many businesses continued ignore the issue of business ethics.

The evidence of the importance of business ethics and labor rights began with the passage of the Occupational Safety and Health Act (OSHA) of 1970. The original Environmental Protection Act (EPA), passed the same year, put government's stamp of approval on the original corporate efforts to bestow important status on their concern for ethical responsibility.

The growing number of business ethics courses offered by US and foreign universities furthered the serious studies focused on ethical behavior by corporations. The former corporate focus, centered almost totally on generating results pleasing to stockholders, no longer ruled. While still central to organizations' goals, the all or nothing approach has been replaced by a parallel concern for displaying corporate responsibility.

Although it is true that all corporate efforts have not been successful in featuring business ethics, e.g., the infamous 1977 Lockheed $12 million bribery case that brought down the Japanese elected officials at the time, corporations have become more committed and efficient in installing policies that help enforce their dedication to taking their social responsibility seriously.

Some observers cite restrictive regulations that put US organizations at a competitive disadvantage when compared to foreign corporation restrictions. However, except for isolated instances, most domestic corporations apparently have become comfortable with the mandate for conducting business ethically.

For example, back in 1978 multiple US corporations, including General Motors, adopted the "Sullivan Principles," which stated this group would not support or even adhere to the then-prevailing apartheid policies in South Africa. These organizations went so far as lobbying the government to change these policies. This action is a formidable example of business ethics and social responsibility during the awakening of the business ethics era.

This challenge was matched by the original difficulty with generating respect for business ethics in the academic world. Original studies were as much "fluff" as fact and solid theory. The content and quality of business ethics courses has continued to improve over the past four to five decades.

The original group of professors, unwelcome by many of their peers, blazed an important trail in the development of business ethics as a valuable major field or an important adjunct to business-oriented studies. Many undergraduates, along with most business school graduate students, have access to meaningful business ethics courses that give students a solid foundation on the virtues of ethical behavior.

Even the noted Harvard University has an entire curriculum dedicated to business ethics evidenced by its Edmond J. Safra Center for Ethics in the Harvard Business School (HBS). Starting with a gift from an HBS grad in the late 1980s, created a "*Leadership, Values, and Decision-Making*" module for first year MBA students. The "breakthrough" however happened in 2004, when HBS established a core course, "Leadership and Corporate Accountability," the first required primary ethics course in HBS history.

Business ethics has come full circle from non-existence to attracting a hard core, but small group of professors committed to studying the components and effects of ethics in business to creating a separate field of study dedicated to business ethics. The combination of the stronger academic focus on ethics and the heightened corporate attention to social responsibility has led to more ethical leader and organizational behavior.

The interest in business ethics and corporate responsibility should remain strong for decades. This focus also should include the corporate commitment to environmentally friendly strategies and actions targeted to keep the Earth vibrant and safe for its global population.

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