

“Good Ethics is Good Business” – Revisited¹

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In this discussion I want to do two things: First, I want to illustrate that there can be a number of different possible connections between ethical behaviour and good business decisions. It is not the case that ethical behaviour *per se* either is or is not good for business. Second, I want to urge that the demand to have the question “Why be ethical?” answered in terms of “Because it’s good for business” is presumptive, and that the presumption that “good for business” provides an adequate motivational context for ethics is false. Further, it is conceptually odd, and is probably even an illegitimate way of approaching the question, “Why be ethical?”

The phrase “good ethics is good business” has received a fair bit of discussion. Some people have suggested that there is nothing peculiar about the topic of ethics in business, that good business decisions *as business decisions* will, as a matter of fact, be ethical; and will certainly not be *unethical*.² That is, some have suggested that there is nothing to infuse into good business decisions to make them ethical, that a regard to do the ethically right thing need not stand as a constraint upon business decisions – that ethical considerations are not somehow different from other considerations involved in good business decision-making. In this respect, they have suggested, good ethics is good for the bottom line – and there is nothing special about “good ethics”: ethically sound decisions will be sound *business* decisions, the two coincide.³ That really is all there is to it. We can call this the “Hobbesian view”, after Thomas Hobbes – the basis and sole concern of ethics is self-interest. Self-interest is what ethics is all about; it is the rationale for ethical behaviour. At the other extreme, some have suggested that if all we are talking about is good business management, then we are not talking about ethics at all.⁴ This suggestion is that it is not possible for good ethics to be good business. Rather, ethical behaviour functions as a limit or a constraint on or a correction to what business may do as business *per se*. By their natures, ethics and business stand in opposition to each other. Further, decisions made for the sake of sound business management are not,

¹ . An earlier version of this essay appears in *Business & Professional Ethics Journal*, 18 (no. 2), (1999), pp. 1-12. Similar work also appears in Damian Grace and Stephen Cohen, *Business Ethics: Problems and Cases* 3rd Edition (Melbourne: Oxford University Press, 2005), pp. 23-29, and 46-50.

². Paul Simons, Chairman of Woolworths Ltd., is in this camp. For instance, see his “Be Interested in the People You Serve and Your Life Will Be Happy”, Fourth Annual Lecture, St. James Ethics Centre (Sydney), November, 1994.

³. I realise that strictly speaking an enhanced bottom line is not identical with and is sometimes not a good indicator of enhanced self-interest. For convenience here, however, I will use the expressions as though they are equivalent.

⁴. Padraic P. McGuinness is one who holds this view. See his “Elusive Ethics”, *Sydney Morning Herald*, November 17, 1994, p.20.

properly speaking, ethical, even when they happen to coincide with ethical requirements. Ethical decisions are, properly speaking, ethical only when they are made in the context of their being in conflict with advantageous business decisions. It is this awareness which, in fact, makes the decision an ethical one. Perhaps we can call this the “Kantian view”, after Immanuel Kant – to be an ethical decision, it must be made in the awareness of its conflict with self-interest.

I would like to consider a bit further the terrain which is allowed for in claims that good ethics is good business. I believe that much of the discussion of this topic has seen the question too much in terms of polarisation: Either good ethics is directly and immediately good business, or else it is not the case that good ethics is good business. Among other things, this is too simplistic a view. It is not simply the case that ethical behaviour *per se* either is or is not good for the bottom line. Ethical behaviour can be related in a number of ways to furthering self-interest. Possible connections between ethical behaviour and the bottom line are actually more varied than simply “yes, they are immediately connected” or “no, they are not connected at all”. I would like to spend a little time considering some various possible types of connection.

For at least awhile, I want to ignore the suggestion that ethical decisions can occur only in matters of conflict, and that ethical decisions must reflect a decision to forego enhancing the bottom line. I want to point out some possible connections between ethical behaviour and the promotion of a business’s self-interest. As I’ve mentioned, my point in doing this is to call attention to the fact that the question, “Is good ethics good business?” cannot be answered by a simple, “yes, it is” or “not, it isn’t”.

Consider these five possibilities – and then a sixth:

1. *Straightforward / simple coincidence* – Doing the ethical thing (or avoiding the unethical thing) actually is the best thing to do with respect to self-interest. There is a straightforward coincidence between ethical behaviour and the enhancement of one’s self-interest – the two go hand in hand. For example, the stockholders will read about your activity in the newspaper, and your company’s share prices will rise or fall accordingly. People don’t want to do business with perceived immoral operators. Or, as Paul Simons has suggested, ethical decision-making will coincide with decisions which are straightforwardly good business decisions, decisions which straightforwardly are good for enhancing the bottom line.⁵ Sometimes the enhancement is not immediate or short-term, but rather produces long-term benefits which are, all things considered, best for the business. Here, one need not have an eye on ethical requirements for any reason other than their direct relationship to good business sense. It is not at all difficult to think of examples here. Think, for instance, about the business value of one’s reputation for qualities like honesty,

5. Paul Simons, “Be Interested in the People You Serve and Your Life Will Be Happy”.

integrity, and conscientiousness. Here, then, are cases of a straightforward coincidence, a clear and direct connection between good ethics and good business.

2. *Self-preservation via societally-created, institutional coincidence* – In these cases, doing the ethical thing will be the best thing to do for the sake of self-interest, but not because ethical behaviour straightforwardly coincides with the best business decision. Rather, the situation here is that given the community's or society's interest in avoiding certain kinds of business conduct (or, more exceptionally, in *fostering* certain kinds of conduct), if the business itself does not regulate its behaviour accordingly, then either the business itself or a particular mode of business activity will be made the subject of external regulation, or will fall afoul of already existing external regulation. Perhaps the simplest and grossest example of such conduct is laws which do not apply exclusively to a particular area of business conduct. For instance, usually it is in business's self-interest not to engage in fraud – or at least society has tried to organise legislation so that it will be against business's self-interest to behave in this way. The risks to self-interest and the penalties for so behaving are enough to outweigh the expected benefits. Therefore, it makes straightforward good business sense not to be unethical in this regard. A businessperson does not need to have an eye specifically on ethics here; it is enough to have an eye on what is likely to be good (or bad) for business, which itself requires having an eye on the law and other external regulation. Business also recognises that with respect to some of society's concerns for regulation and ethical behaviour, business itself is presented with two alternatives: either regulate its own conduct in a certain area (i.e., make sure that it performs up to some standard of ethical acceptability), or else have that conduct regulated from without. And usually, from the perspective of self-interest, it is appealing to business to behave ethically, or to impose ethical requirements on itself, rather than to have them imposed from without. It is better for business's bottom line this way. Notice, it is not straightforward coincidence. Rather, society has *engineered* a coincidence; society has *created* a coincidence of good ethics and good business. Aside from specific laws, think, for instance, of the position of ICAC⁶, requirements that businesses have "codes of ethics" and the like, and, in America, the existence of the *Federal Sentencing Guidelines*.

3. *A little effort* – In some situations, it can be in a business's self-interest to do the ethical thing, but only if it does more than simply *do* the ethical thing. For example, if the business *publicises* having done something with moral merit, it can get some bottom-line mileage out of this. Chrysler Motors set up its car buyers' bill of rights, articulating guaranteed quality of its products and guaranteed performance of the company in certain areas; and it set up a formal consumer protection "tribunal" to assure that performance was up to scratch, in that if it was not, the tribunal was

⁶ . The Independent Commission against Corruption. In New South Wales, in Australia, the authority of this statutory body extends over the public sector. The authority of the ICAC in Hong Kong extends over the private sector, as well as the public sector.

empowered to impose sanctions on the company. (This was, let us say, ethically commendable performance.) By itself, establishing such a tribunal might or might not (and probably would not) have enhanced the company's bottom line. However, Chrysler used the establishment of this bit of ethical performance as an advertising campaign for why people should do business with them. And this was good for business. It was not the ethical behaviour by itself which accomplished this. It was, rather, the extra effort spent on publicising that behaviour. Here, too, it is not difficult to come up with more examples: Saturn motor cars in the U.S., with their hassle-free showrooms and non-negotiable car prices are committed to this as their marketing strategy. The Body Shop, and its promotion of its practice of not selling products which have been tested on animals is a particularly well known example.⁷

4. Lateral thinking / augmentation – Ethical behaviour can sometimes be augmented (or protected) so that it results in advancing the business's self-interest. However, without this augmentation, it is not clear that this would be so; and it appears that, in fact, it would *not* be so. For example, a building company which had established a reputation for quoting accurately and completing its jobs on time found its competitors to be understating both time and costs – and winning contracts away from this company. The competitors' quotes were initially lower than this company could (honestly) offer. And then, within legally acceptable parameters, the time and costs of the competitors would increase once the jobs were underway. To protect its virtues of honesty and integrity (to protect its ethical behaviour) in this atmosphere, the company decided to offer a bond along with its quotes. "The company said to its clients: 'If we fail to deliver in terms of time and costs, the bond is forfeit. All we ask is that you ask our competitors to do the same.'"⁸ The result was that the company successfully protected its moral behaviour; and, with appropriate augmentation, turned that behaviour into being beneficial for the company's bottom line. This is different from the situation in cases of type 3. in that here, something extra is required in order for the ethical behaviour to actually be other than detrimental to self-interest. In the type 3. cases, it was a matter of advertising your ethical behaviour, and then benefiting from people's knowledge of it. Here it is a matter of engineering a protection for the ethical, not merely publicising its existence. In 3., it is the ethical behaviour itself which can be promoted in such a way that it benefits self-interest. That is not so with this type of case, where it is not only a matter of publicity or advertising; it is a matter of augmentation or protection.

5. Good for the practice – Ethical behaviour might be opposed to self-interest in the short-term, full stop, while working toward upgrading the *practice* of business. The result can be that eventually, generically it works for self-interest. Ethical behaviour can go toward defining or re-defining what the practice of business (or of a particular business) is about – perhaps re-defining the playing field. This can be part of the

⁷. The Body Shop is also a good example of how it is that when you trumpet your virtues, you can get slammed for not living up to them.

⁸. Reported in *The Australian Financial Review Magazine*, July 7, 1995, p. 16.

motivation for some people's urging that business should be more professional – not just that it should do what it does, but in a more “professional” way; but rather that it should do a somewhat different kind of thing.⁹ This point should not be confused with an aspect of 1. above, where I mentioned cases in which the behaviour does not produce an enhanced bottom line in the short term, but does enhance the bottom line in the long term (as in, for instance, short-term and long-term investments). The point here is rather more complex – and certainly more contentious – than that, involving a change in the practice and the perception of what the practice is about. Simply, changing the character of the practice from one thing to another (e.g., changing it to a profession) creates an environment in which business can enjoy the benefits of that new status. Although I will not fully develop this possibility here, I *do* want to say a bit more about it.

One argument for pressing on with the development of this possibility – and for the creation of “the profession of business” – is that if the practice is re-defined, then it could become *impossible* that ethical behaviour *not* be good for self-interest (at least in certain areas). Ethical behaviour and self-interest would coincide, although not in the simple way suggested in 1.

Let me sketch this a bit more. Perhaps part of what is re-defined here becomes the very notion of “self-interest”, as well as the type of person or business practice that we are. Somewhere here, some options for unethical behaviour can simply disappear. They do not occur to the members of the practice. These “options” are not consistent with what the practice is (or has become); they are not consistent with what the practice is about. They simply are not options (any longer). Consider this as an analogy: Assume that for whatever reason, some person is honest (perhaps to a fault). In a position in which some people might lie, it will not even be an issue for this person. She will not even consider whether or not she wants to lie (or whether or not it could be in her interest to lie). Rather, given the type of person she is, of the options which are perceived as present in the situation, lying is not one of them. If the situation *does* present an “issue” for her (if there is anything for her to think about in coming to a decision one way or the other, and if, thus, there are options present), it will not be because she wonders whether or not it will be in her interest to lie. In this respect, *being* an option – like *being* an issue – is quite centrally a matter of being *perceived to be* an option. In the analogy which I am offering, lying is not an option for the person, simply (*simply!*) because of the kind person that they are, or have become. Telling the truth (or not) is not seen, or appreciated, as being negotiable. For this person, there can be no question about whether or not to lie. There is no issue about this; there is no option concerning this type of behaviour. Now, it is in something like this respect that becoming a different type of practice,

⁹. This theme is prominent in Grace, D., and Cohen, S., *Business Ethics: Australian Problems and Cases*, 2nd Edition (Melbourne: Oxford University Press, 1998). It is explicitly highlighted at pp. ix-xiii and 51-55.

with its attendant outlook and expected benefits, can effect a changed ethical environment, a difference in character, and an improvement in self-interest.

Imagine, in a reasonably normal type of situation, as a matter of *logic*, there could easily be a question about a doctor's maintaining the confidentiality of a patient's records, or about a lawyer's maintaining the confidentiality of their briefing from a client. In normal situations, however, there is no thought of breaching the confidence. There really is no question at all (even though it is certainly a *logical* possibility). It is not merely a matter of convenience or explicitly weighing the pros and cons of revealing or not revealing the information. Normally, it is simply not an issue – there's no option – even if it would apparently promote self-interest in some way or other to do so. This is because the practice is what it is, and because of what is central to functioning as a practitioner.¹⁰

I realise that this possibility for business is not at all obvious. I also realise that I have left it as a bare sketch and at the level of an analogy only, and a simple example from the legal and medical professions. I am content to leave it at this for here, however, where my purpose is not to argue for this possibility, but simply to note it.

6. *Not good at all.* – This is the limit. Here, doing what is ethical is simply contrary to self-interest, no matter what. Some people have denied that this could be a genuine possibility (certainly Hobbes did). It is certainly a view which would not be at all popular among those who advocate that good ethics is good business – and more particularly, among those who advocate that the *reason why* businesses should be ethical is *because* that is good for business. Consider some simple thought experiments, however:

- (i) The Ford Pinto case. Let's assume that no one outside the company would ever have discovered the design flaw with this car, which made it susceptible to explosion on rear impact. On this assumption, would it have been ethically permissible to have allowed unremedied production to continue? "No" is the answer. On the same assumption, would it have been a sound business decision – in the sense of enhancing the bottom line – to allow production to continue? "Yes."
- (ii) An OK Tedi story. Assume that in the early days, when the water contamination from BHP's New Guinea mine was discovered by and affected just a few isolated people, it would have been possible to "resolve" the entire matter by annihilating a few families – no one else would ever know. Considering only the benefits for business, this would be the course of action to take. A crass cost/benefit analysis would point in this direction. Would it have been ethical to have done this? "No."

¹⁰. Of course there are extreme cases, where what would not be perceived as an option in other cases is perceived to be an option. I am not speaking of those extreme cases, however. I am talking about the norm.

(iii) Nestlé's baby formula. When Nestlé sold its baby milk powder to Third World countries, they could get rid of their surplus and make some profit. It is easy to tell a story according to which that turns out to be exactly what happens. It *could* be good for business; but there are other reasons why this company should not behave in this way. And business should pay attention to these other reasons. This is exactly the point.

The point in all these cases is that there is need be no coincidence between ethical behaviour and the advancement of self-interest. There is certainly not a *necessary* coincidence. The further point is that even so, what business should do in each of these cases is that which is ethical. It should forego – or at least not stare squarely at – self-interest. Why? Because ethics requires it. That is the nature of ethics.

For each of these cases, maybe you think that *as a matter of fact* someone would find out, and so the business would suffer. (This could be called the “Aquinas position”, after Thomas Aquinas – even though you should behave ethically *for ethical reasons*, nevertheless, there will be a happy coincidence with self-interest.) But that would be a different thought experiment. The thought experiment here involves supposing that people do *not* find out. And supposing that they don't; then what? It is not ethically permissible in these cases to ignore or cover up the dangers. The ethically required action is simply not good for business.

I believe that these points either are or border on the obvious. I would not have spent time on them except that it is clear that this kind of thinking has apparently escaped many who have thought that, of course, good ethics must coincide with good business – in one way or another. Further, this kind of thinking appears either to have escaped or to have been regarded as unacceptable by those who would demand that the only convincing reason for behaving ethically in the business arena is that it is good for business. The task which is then set for discussions of ethics in business is either to find the coincidence or to create ways to make ethics and good business coincide.

There are two very separate concerns: first, the coincidence of good ethics and good business; and second, reasons for behaving ethically. As for the first – that ethics and good business must coincide – I have nothing more to say. As for the second – that the only acceptable or convincing reason for behaving ethically is that ethical reasons are also the best in terms of enhancing self-interest – there is a bit more to say.

Let us think for a moment about what it is for something to be an ethical opinion – not necessarily a *correct* ethical opinion, but just an ethical opinion at all (as distinguished, say, from a personal preference). There are some reasonably uncontentious criteria which we might likely nominate as characterising an ethical opinion. In offering – or in holding – an opinion as an ethical one, we make these “representations” or implications:

- The opinion is *universalisable*. That is, it is offered as importantly “generic”, i.e., as applying to everyone in “relevantly similar circumstances”
- The opinion is *justifiable*. That is, in being offered as an ethical opinion, there is an implication that the person offering it has a justification for it (distinguishing it from, say, a mere preference)
- The opinion is *overriding*. As an ethical opinion, it overrides, or takes precedence over, other opinions.
- In characterising the nature of an ethical opinion we would almost certainly also make reference to *impartiality* and the necessity of taking a broader perspective than self-interest alone.¹¹ For reasons quite like this, it is most commonly thought that “ethical egoism” (not to be confused with “psychological egoism”) is an incoherent position – it is a “non-starter” for being an ethical position, precisely because it puts one’s self-interest as the reference point for the moral world and the gauge of what is morally right and morally wrong.

When it comes to thinking about individuals, it is fairly generally accepted that doing the morally right thing will sometimes not be identical with acting in one’s own interest. It will certainly involve not *focussing on* one’s own interest. There can be serious questions about why one should adopt a moral perspective, but no real question about that perspective involving a broader scope than self-interest alone. Given this, why should there be so much concern to say that the situation in business is different – that good ethics must enhance the bottom line? I believe that those who have pushed this line very hard have ignored the situation for individuals – perhaps in their hurry to offer an easy, prudentially acceptable, attractive, and enticing reason for business to be ethical. For individuals, sometimes doing the morally right thing works in one’s interest – but not always. That would seem to be all that should be asked or expected of the situation with business. Perhaps the query about the coincidence of ethics and self-interest is an attempt or demand to make the difficult ethical questions easier and more easily resolvable than, in fact, they are. The terribly important and difficult question, “Why should I be moral?” is no more easily answered in the context of business than it is in the context of interpersonal relations concerning individuals.

There could be a different kind of concern in looking for a coincidence of ethical and prudential interests in the context of business. One might believe that morality should be none of business’s business. Perhaps we could call this the “Friedman view”, after Milton Friedman’s bold claims in the late 1960s and 1970s about the

¹¹. There is nothing at all unusual or peculiar about nominating these characteristics as formal characteristics of an ethical opinion. See, for example, James Rachels, *The Elements of Moral Philosophy*, Second Edition (New York: McGraw-Hill, 1993), p.13; Lawrence M. Hinman, *Ethics: A Pluralistic Approach to Moral Theory* (Orlando, Florida: Harcourt Brace Jovanovich, 1994), p.4; Peter Singer (ed.) *Ethics* (New York: Oxford University Press, 1994), pp.4 & 10; Peter Singer, *Practical Ethics*, Second Edition (New York: Cambridge University Press, 1993), pp. 10 & 12, Grace and Cohen, *Business Ethics*, pp. 10-21.

inappropriateness of allowing ethical concerns into the business arena. From this perspective, business is seen as appropriately out of the moral realm altogether – it is a nonmoral or an amoral operator in much of what it does and in much of what it should be thinking about and concerning itself with. Notice, however, that this would be a significantly different concern from the one which I have been discussing here, viz. the suggestion that the activities of business *are* within the moral realm and that the carrying out of those activities should or can be made to coincide with the business's self-interest. Friedman's view is an important one to take account of, but it is completely different from – and largely irrelevant to – the discussion here, the context for which is centrally one in which it is recognised that business can engage in moral or immoral behaviour; and the question asks for reasons to be moral. Where the plot has been lost, I think, is where that question has been coupled with the expectation or demand that the only reasons which should be important are those which point to the coincidence of morality and self-interest.

Something similar

I believe it is worth calling attention to a similar situation to that of business and ethics, which obtains with the relation between *law* and ethics. Here too, there is point in calling attention to the situation with individuals and interpersonal relations, in order to draw a parallel with what should be a similar feature with business. In matters of individuals' behaviour, we do not think that law covers the entire area of ethical concerns – and we do not think that it is *appropriate* for it to do so. Some things are morally wrong, even though they are not illegal (e.g., normal cases of lying or promise-breaking or breaches of trust). The fact that these modes of behaviour are not ones where the law reinforces moral requirements by no means implies that therefore, there is no reason to behave ethically in such situations. Indeed, this is the very heartland of ethical theorising, discussion, and argument. Again, for someone who suggests that ethics for business is completely covered by law (or else there is no reason for behaving ethically), we should seriously ask why the situation for business should be regarded as different from that for individuals. And the answer, I believe, is that they should not be regarded differently from each other at all.

A final thought

There is a serious danger present in “good ethics is good business” talk, and in conceptualising the situation so that this is, in fact, an appropriate way to speak about business and ethics, and about reasons for business to be have ethically. Consider what the point is to the dictum that good ethics is good business. The point is to offer an answer to the question, “Why be ethical?” And that answer is, “Because it's good for business.” This sounds straightforward enough; but there is a very worrisome implication of thinking of things in this way, namely, that if some bit of (ethical) behaviour were *not* good for business, then, it would be okay (in whatever important sense that the listener is supposed to be taking account of) to engage in that bit of behaviour. In a recent address, Alice Tay very much urges the line that good ethics is good business; and she (unwittingly, I believe) seems to

support the implication.¹² The difficulty is that this way of speaking invites one to place ethical behaviour on a scale – a scale measuring what is good for business. The idea, then, of course, is to see where the heaviest weight lies. And this is precisely the danger. The implication is that if the heavier weight lay on the scale in opposition to ethical behaviour, then it is that non-ethical behaviour which would (*should*) “win”, and so be permissible (in whatever relevant sense), despite the fact of its being unethical. This way of conceptualising the situation places ethical behaviour as just one of however many considerations (some of which are “competing” considerations) to be taken into account, the focus of all of which is directed solely toward how good they would be for business. “Good ethics is good business” implies that the reason for behaving ethically is that such behaviour is good for business, and that if it were good (or better) for business for one to behave unethically, then unethical behaviour would be permissible, perhaps obligatory. The dictum, “good ethics is good business”, implies that ethical behaviour is of instrumental value only. If that is the case, then, of course, if on any particular occasion, ethical behaviour were not perceived to be instrumental toward the achievement of whatever *is* of value, then there would be no rationale for behaving ethically.

12. Alice Tay, “The Role of Business in Promoting Human Rights”, delivered to The Asian Institute of Management, Manilla, September 9, 1999.