BUSINESS ETHICS AND BUSINESS PRACTICES: A GREAT MISMATCH

CENK LACIN ARIKAN

AUM (American University of the Middle East)
E-mail: cenklacin.arikan@aum.edu.kw

Abstract - The purpose of this study is to provide a thorough overview of certain constructs in business ethics (BE) and show the ever increasing discrepancy between the discipline of BE and the actual practices taking place in the real business environments. BE seems to draw an ever increasing attention academically, but on the other hand, malpractices and unethical implications seem to be reaching more critical heights. Thus, it looks as though, in our modern day and age, having grasped profound understanding of BE actually has not helped reduce any of the major wrongdoings. In this regard, the wide gap existing between theory and practice clearly deserves more proliferation. This paper aims to help our understanding of the severity of the contemporary problems faced and shed light onto future research.

Index Terms - Business Ethics, Sustainability, Unethical Corporate Behavior, Future Considerations

I. INTRODUCTION

Business ethics (BE) has been a topic of great interest especially in the last two decades. Despite its popularity in the academic world, much debate exists in how effective it has become. Some researchers claim that BE has not been successful in producing the anticipated positive outcomes [1]. Several perspectives prevail as to the reasons behind such failure. Some academics have the notion that as a discipline BE has not yet successfully delivered clear enough models, solutions, concepts, etc. Another view emphasizes the dynamics of the business world, stressing how corporate intensive it has become. And, yet another viewpoint seems to share both of these perspectives and point to the combined effect they entail [2]. This paper aims to investigate and discuss what BE studies cover, but it also hopes to highlight how business practices have turned into extremely powerful and destructive tools in the wrong hands. Thus, it can be said that the main focus of this study is rather on the discrepancies that exist between BE and business practices.

Consequently, this paper hopes to provide an overview that may inspire future research that takes such considerations into account. In that respect, this study will first regard BE, then mention significant business practices emerging as bad examples, and finally try to compile upon these and draw some conclusions.

II. BUSINESS ETHICS

Due to the highly controversial nature of the construct, ethics, business ethics (BE) emerge as an area of research that has its own shades of gray. “Accepted principles of right and wrong” in the workplace [3], may well be one of the most concise ways of defining, but it alone is more than sufficient to point why consensus is very challenging in the BE discipline. Moreover, according to some researchers, BE dates back to “the beginning of business” [4]. In that respect, a clear and united view of BE seems to be lacking for a very long time. On the other hand, some argue that the interdisciplinary nature of BE is relatively a new phenomenon [5]. This may be due to the ever increasing interconnected and intertwined nature of the business transactions of our modern world.

Ethical decision-making has attracted considerable effort in BE especially over the past two decades. Profound ethical decision models have been generated in order to depict how and why managers make certain decisions. Virtue-based model proposed by Kaptein takes into account that ethics can be considered as a major struggle and discusses its dimensions [6]. These dimensions are wisdom, moral conviction, self-control, willpower, moral courage, confidence and skill at the individual level; clarity, role modeling, achievability, commitment, transparency, discussability, and sanctionability at the organizational level. Thus, it is almost directly implied by this model that decision-makers and organizations do not lack much information or knowledge when it comes to make the final cut, but rather go through a series of processes -at different levels- and come up with a deeply calculated intention.

Another major contribution introduces “a partnership model of corporate ethics” [7]. This model emphasizes the crucial role of corporate culture in BE. Whatever culture permeates within the organization has the potential to be contagious in the outer layers of the environment, whether it is for positive or negative impacts. In this regard, culturally accepted norms possess much stronger effects than initially thought. Many accepted norms might end up becoming the

general rule for the industry players.

One of the more inclusive models proposed by researchers have highlighted the adaptive nature of BE in an attempt to incorporate perceptions of the society and the organization [8]. According to this model of BE, the society has certain expectations from the organizations. In return, companies and organizations at large deliver a set of values as an answer to such expectations. The societal evaluation of what has been delivered either strengthens or weakens the next set of dynamics shaping this relationship. In that regard, this model is very informative in clarifying how some wrongdoings may keep on going for so long in certain business environments and societies.

Yet, another approach focuses on the distinctive phases of moral decision-making [9]. This model suggests a certain pathway as to what the decision-makers may choose to follow rather than just showing what is happening. Accordingly, the proposed phases start with the introductory phase, where the issue at hand needs to be put into perspective. Here, it is advised to gather significant data which can ease the ethical decision-making. Then, in the evaluation phase, certain universal principles are recommended to be applied. Following this phase, a "virtue-based solution" is suggested where principles may not be sufficient. If a satisfactory solution has not been reached until now, then it is recommended that the decision should deploy a "contract-based" solution, which should take into account the "social contract" prevalent. Accordingly, the "accepted right or wrong" nature of BE emerges when decisions are more challenging to make.

Finally, it is worth mentioning how some very significant work has been conducted on culturally based ethical decision-making. According to the culture-based model of ethical decision-making, certain distinct business climates may actually "encourage or discourage" certain behavior [10]. Based on what is valued more highly, self-interests or collective interests may dictate business decisions [11]. In such environments, loyalty to the organization may bring with it certain sets of action, which may totally be accepted or actually praised.

III. BUSINESS PRACTICES

In the world of business practices, there is quite a variety. Everything ranging from small gifts accepted by managers to scandals involving millions of lives and threatening the whole globe at large may be included in the range of events. Some researchers have criticized BE to be not only ineffective, but actually teaching companies to abuse resources, people, and the environment in general in a more "civilized" or acceptable manner [1]. "Cannibals with forks" has been cited to refer to this polite way of continuing to eat [12]. This metaphor may be quite to the point, but there is a chance that it is actually even understating certain aspects related with the extent to which business practices reach. In terms of economic sizes, fairly recently (by 2014), companies constitute 63 entities of the top 100 global financial powers, the rest being the top developed countries of the world [13]. This figure was 51 companies in 2001 [14]. Clearly, there is a trend by which corporate world is growing tremendously and in this way; their threats upon the societies and the globe are becoming more dangerous. Just a glance into the past several years of scandals and corruption combined with malpractices may reveal the severity of the situation we are facing. Despite all advances in BE, we are still seeing "greed, corruption, self-interest and disinterest in the impact of our action upon others" even more so today then never before [15]. Just remembering some recent events like VW's (2015) diesel gate scandal, BP's (2015) oil spill case, Toyota's (2014) safety violations, Royal Dutch Shell's (2014) alleged role in corruption, Wells Fargo's (2016) deceitful account openings, etc. all point to very critical outcomes which in the modern global world may effectively influence millions of lives [15-19].

IV. WHY BUSINESS ETHICS FAILS?

Even though we know better and more as time goes, and knowledge accumulates, it looks as though our mistakes are not getting any less. Quite the contrary, because of a heightened level of impact, now we can do more harm on others, the environment, and eventually ourselves.

One of the reasons highlighted for a possible reason of the ineffectiveness of BE is called the "paradox of ethics management" [20]. This paradox points to the danger of limiting ethical issues to so-called management tools. Ford's Pinto case is an excellent example in this regard. It was one of the most shocking automotive scandals and in terms of the legal aspect, it can be stated that the company paid all its fees. Thus, leaving gray areas in management decisions can eventually lead to tremendous BE disasters.

Another reason why BE fails is called the "moral disengagement" [21]. This is the mechanism by which people, who should really be and feel responsible, actually feel no stress or shame because there is disengagement from the organization at the cognitive level. Thus, once again, it can be said that we as human beings are very competent in finding ways to rationalize our wrongdoings. Everyone else in the

industry is doing it; we would not survive if we did not do it; if we did not do it, then somebody else would do it are just some examples of such rationalization.
Yet, another reason can be traced back to "dispersed ownership" of the company, which also helps reduce our responsibility or rather hide it [22]. When we have winning stake in a company, we may feel less responsible, or totally lack thereof in certain instances, towards its operations. After the VW's scandal, in less than two years' time, the company became the bestselling automotive company of the world. The shareholders and the investors won big time despite our health, our morals, and the environment losing [23].

And, the final reason why BE is not winning but losing ever more may lie in the fact that in all the cases and the examples highlighted the organization got away by paying the dues. If our BE notion, latently, praises the idea that as long as you pay, you stay, then people, managers, and companies that stay and play by the rule will win and the rest will remain to lose

CONCLUSION

This work reviews and hopes to bring together major ideas and approaches in the realm of BE and provide a critical view which may challenge our current latent values and business practices. For future research, creating an integrative model of BE may benefit researchers and practitioners alike and open the pathway for more insightful knowledge generation.

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