

## WHY BUSINESS NEEDS ETHICS ?

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### Abstrak

Dalam kehidupan sehari-hari, etika sangat berperan dalam mengatur tata kehidupan masyarakat. Berbagai aturan dan norma kehidupan biasanya hanyalah diatur dengan perangkat hukum yang ada. Namun demikian perangkat hukum saja ternyata tidak cukup untuk mengatur tata kehidupan masyarakat, khususnya dalam bidang bisnis. Artikel ini mengupas pentingnya etika dalam bidang bisnis, agar tidak terjadi chaos dalam dunia bisnis yang sudah semakin kompleks oleh persaingan dan berbagai kekuatan dari lingkungan makro. Etika sebenarnya dapat diajarkan dan ditularkan melalui keteladanan secara kontinyu, dan merupakan pilihan bebas dari setiap individu untuk melaksanakan atau tidak melaksanakannya, tentu saja setiap pilihan mempunyai konsekuensi logisnya sendiri-sendiri. Thomas Hobbes, seorang filsuf dari Inggris mengungkapkan bahwa kehidupan (juga dalam bidang bisnis) yang tanpa etika akan secara perlahan tapi pasti membawa masyarakatnya kepada kepunahan. Dia mengatakan bahwa: "life would be solitary, poor, nasty, brutish, and short". Dan sebagai makhluk rasional kita tentu tidak ingin hal ini terjadi. Etika merupakan tuntutan dan dapat menjadi standar perilaku yang membawa manusia kepada harkat yang sesungguhnya. Begitu juga dalam dunia bisnis, keinginan untuk menjadi besar haruslah didasari dengan etika yang kuat, sebab tanpa itu, yang terjadi hanyalah persaingan kotor, saling memakan dan berakhir dengan kepunahan tanpa bekas.

*"As nation race toward a global marketplace and global competition, the need for commonly accepted ethical standards has taken on new dimensions of even greater importance. Economic development – and the political forces trying to accelerate it – requires that ethical standards substitute for the use of force. Since trade, technology, and finance are the primary tools of business, there is a crushing need to make business ethics an integral part of business study"*

### **Introduction**

Not only in business, but also as in our daily private life we need to know and also to study ethics for gaining the right kinds of habits. There were two things of advantages by learning about ethics. The first kind of proficiency is what the ancient Greek philosopher Aristotle calls *intellectual* virtues and includes such things as learning how to build a house or play a musical instrument. The second kind of proficiency is that which requires an extensive

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developmental phase, is what Aristotle calls the *moral* virtues; learning to brave in the face of danger or learning how to control one's temper. Developing a moral disposition is not something one does overnight, or by reading a book or just taking a class. In short the ethical orientation is what you have developed over your lifetime, by reading a book or a paper about ethics will not quickly change it. However, studying ethics can be part of your moral development, and studying in business ethics can assist you in thinking about how to be moral in the workplace and to analyze cases in business ethics when neither your reputation nor your job is at stake.

## Ethics and Choice

Most of us encounter ethical problems when we are genuinely confused about which moral principle to follow: Should I lie to save a life? Do I agree in abortion in the relation with the mother's life? Or in business examples are numerous: Which better, retrench the workforce that the company can recover and perhaps rehire these people later, or keep full employment with possible dire consequences for the company, including bankruptcy? Should a business allow itself to be the object of a hostile takeover, which could result in the loss of many jobs of those currently employed? Or should it resist the takeover by paying "greenmail" (*In Financial Management term: buying the stock of a corporate raider at higher than the market price so the raider will go away*)? Or should the company load itself up with debt to decrease its attractiveness to a raider, even though this may reduce the company's profits? How do we assess the raider's promises to make the business more efficient by stripping away waste by strengthening the company's competitiveness, thereby increasing the real value of the company to the stockholders? How would you answer these questions if you were an employee of the company? But what if you are the manager? A stockholder? A member of the community where the business is located?

It is difficult for us to answer, if we cannot clearly see all the ethical ramifications of our actions, we are often unable to isolate all the morally relevant aspects of the situation and choices become difficult.

There are many situations in business where individuals are tempted to do something that violates their ethical standards. So many issues, whether in business or private life, concern the perpetual problems: lying, cheating, stealing. The unethical conduct of some business people – especially in Indonesia, chronicled in the daily newspaper, or other mass media, concern not uncertainty over ethical choices but fundamental errors in human conduct. The big question is why otherwise moral persons act immorally in business matters.

Whether in our daily private life or in the world of business, life will present us with ethical dilemmas, and we have to think through some of them before they are encountered in a real life situation where the consequences will be substantial and sometime irreversible. To make effective decisions, you need to be able to identify and articulate the ethical issues at stake and reason your way through the various alternatives presented. In some instances we will be able to identify clearly the best course of action – that is, the one that we as

rational individuals are prepared to defend with argument and analysis. In other cases we will be successful, for real-world choices are often ambiguous and not easily decided.

### **Ethics Are Not Fully Formed and Not Unchangeable**

Another false assumption guiding the view that business ethics cannot be taught is belief that one's ethics are fully formed and unchangeable by the time one is old enough to enter college or a job. However, moral psychology research has found that is definitely not the case. Moral judgment develops throughout childhood and young adulthood in a complex process of social interaction with peers, parents, and other significant persons, and this development continues at least through young adulthood. In fact, young adults in their twenties and thirties in moral development educational programs have been found to advance in moral reasoning even more than younger individuals. Given that most people enter professional education programs and corporations during young adulthood, the opportunity to influence their moral reasoning clearly exists.

Business school students may need ethics training more than most. Many research in USA and "*in the rest of the world*" (1986) have found that student in business ranked lower in moral reasoning than students in philosophy, political science, law, medicine, and dentistry. And research in USA (1987) undergraduate business students and those aiming for business career have been found to be more likely to engage in academic cheating (*test cheating, plagiarism, etc*) than students in other major or those headed toward other careers.

It should be clear from the above arguments that *ethics can be taught*. Ethical behavior relies on more than good character. Although good upbringing may provide a kind of moral compass that can help the individual determine the right direction and then follow through on a decision to do the right thing, it's certainly not the only factor determining ethical conduct. In today's highly complex organizations, employee and the managers as an individual need additional guidance. They can be helped to recognize the ethical dilemmas that are likely to arise in their jobs; the rules, laws, and norms that apply in the context; reasoning strategies that can be used to arrive at the best decision; an understanding of the complexities of organizational life that do defense-related work are expected to comply with multitude of laws and regulations that go way beyond what the average person can be expected to know.

The question of whether ethics *should* be taught remains. Many people still believe that ethics is a personal issue that should be left to individuals to struggle with themselves. Similar to attempts to proselytize about religion, they see attempts to teach ethics as inappropriate efforts to impose certain values and control behavior.

## Defining Ethics

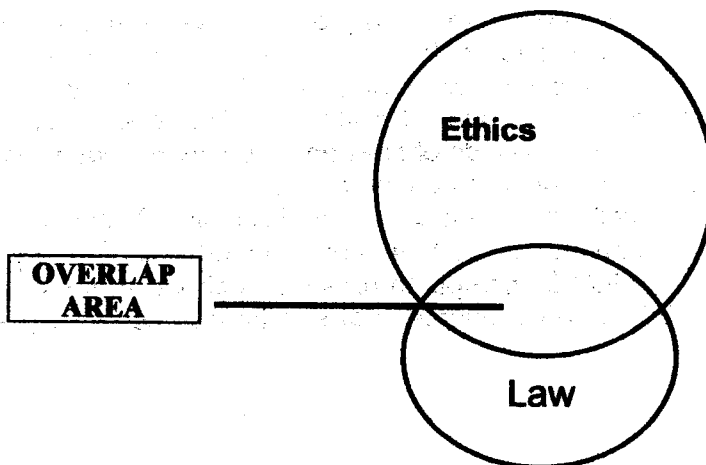
Linda K. Trevino and Katherine A. Nelson (1995,12) purpose that ethics can be defined as "A set of moral principles or values," a definition that portrays ethics as highly personal and relative. That definition sound like: I have my moral principles, you have yours, and neither of us should try to impose our ethics on each other.

But I believe that a better definition of ethics may be *the principles, norms, and standards of conduct governing an individual or group*. I expect work organizations to govern work-related conduct. They prescribe all kinds of behavior including what time to arrive and leave the office or meeting or other workplace, whether smoking is allowed on the premises, or in the marketing aspect, how customers are to be treated, and how quickly work should be done. Prescriptions about ethical conduct are not much different. Work organizations prescribe how employees should fill out expense report and they define what they consider to be conflict of interest or bribe. If we use this definition, ethics become an extension of good management. Leaders identify appropriate and inappropriate conduct and they convey their expectations to employees through ethics codes, training programs, and other communications mechanism.

## Ethics and the Law

L.K. Trevino and K. A. Nelson (1995,15) explain that business ethics and the law are in terms of Venn diagram (see Fig.1). If we think of the law as reflecting society's *minimum* norms and standards of business conduct, we can see that there is a great deal of overlap between what is legal and what is ethical.

Figure 1. Relationship between Ethics and Law



Source: Linda K. Trivino & K. A. Nelson

Generally speaking, most people believe that law-abiding behavior is also ethical behavior. But there are many standards of conduct agreed upon by society that are not codified in law. For example, conflicts of interest may not be illegal, but they are generally considered to be unethical in our society and are commonly covered in codes of ethics. Another example is about abortion is legal in Singapore, but they are also generally considered to be unethical in most of religion in the world. So the domain of ethics includes the legal domain, but extends beyond it to include the ethical standards and issues that the law does not address. Finally, there are times when you might encounter a law that you believe is unethical. For example, as L.K. Trevino & K.A. Nelson said, not too long ago racial discrimination was legal in the United States and also our country *Indonesia*. Therefore, the legal and ethical domains certainly overlap to a large degree, but not completely. It is conceivable to think of something as being legal and unethical, or unethical but not covered by any law. What do you think about this?

### **Why Ethics is Important**

Actually the more sweeping question is why a framework of ethics is important for society in general. Imagine a situation where there is no moral structure for one's actions, no legal system, no power greater than the individual's to adjudicate conflict, and where all people are free to pursue their own interests. This is the state of nature that the seventeenth-century English philosopher Thomas Hobbes describes with great clarity. Although the prospect of pursuing our own self-interest, unhampered by bureaucrats, environmental protection laws, taxation policies, restraint of trade legislation, and other limitations on our conduct, might at first seem attractive, Hobbes shows why it is not. In such a state everyone would be at war with everyone else, and all would be constantly at risk of losing property and also life. The standards of behavior of civil society would be absent, and violence would be the order of the day. The words *justice* and *injustice* would have no meaning. Hobbes calls this condition of war the "*state of nature*", and in such a state each person would become the enemy of the other. Unrestrained self-interest might seem attractive, but in the state of hostility that would result, only the interests of the strongest would prevail. In the state of nature human existence would be miserable or, to use Hobbes's famous words, life would be "*solitary, poor, nasty, brutish, and ... short*". All rational persons, Hobbes thinks, would want to find a way out of the brutish hostilities of the state of nature.

### **The Civil Society**

Being in a civil society means that we accept the responsibility of obeying the law, abide by our private agreements, and submit disputes to impartial judges. How we arrive at such ethical principles, Hobbes argues, is through the use of natural reason – not supernatural revelation. Hobbes say:

*"The passion that incline men to peace, are fear after death, desire of such things as are necessary to commodious living,*

*and a hope by their industry to obtain them. And reason suggested convenient articles of peace, upon which men may be drawn to agreement".*

David Steward (1996, p. 10) give the following list, that are some of the natural laws drawn from Hobbes's discussion that are most applicable to the practices of business:

- We should claim as much liberty as we are willing to grant to others.
- We should keep promises and perform contracts to which we have agreed.
- We should acknowledge the equality of all.
- We should not demand of others things we are unwilling to do ourselves.
- Judges should be impartial.
- Things that cannot be divided should be shared in common.
- People who disagree should submit their dispute to arbitrators.
- We should not to do others what we do not want them to do to us.

This is an interesting list not only because it seems to reflect the moral precepts that we have learned from many other sources but also because its doctrine of self-restraint starts from the premise that self-interest is the motivating force behind human behavior.

Businesses, no less than individuals, need such standard of moral conduct. Unless a majority in society accepts a standard of moral conduct – tells the truth, does not steal, keeps promises, does not harm others – would be hard to see how any organization could function at all, to say nothing of functioning well.

A business needs employees who are honest and loyal. How else could a company trust its employees with proprietary information, money, access to important planning documents, and so on? We can see that at this level ethics, in the sense of rules for getting along together, is inescapable. Without ethics, neither business nor individuals could function, and we would be struggling in Hobbes's state of nature as described before.

### **The Importance of Ethics for Business**

Good ethics is also good business because it allows business to avoid outside restrictions. If business is not self-regulated, it will be regulated by others. Unethical conduct brings about those things that business least desire: government regulations and restrictions, hostile employee relations resulting in an unproductive work force, and consumer rejection of its products (*goods & services*). The point is that we cannot have two sets of moral standards, one for business and another for the rest of the world. K.R. Andrews & D.K. David (1995, pp. 99 – 118) describe that increasing pressure from society – expressed through legislation and in the courts – to hold businesses accountable to the same standards of conduct imposed on individuals.

When we use such terms of ethics, we are not describing how people behave but are making claims about how they should behave. Ethics, then, is prescriptive, not descriptive. Moral philosophers have developed theories that allow us to give account of such questions as how we can justify moral values, how to determine what our duties and obligations are, and how to evaluate moral pronouncements. A good deal of philosophical thinking over the years about ethics involves not the analysis of specific moral issues, but the questioning of the nature of ethical judgments and moral decisions themselves.

## Conclusion

As academic member from the famous Catholic University, we should aware that teaching and studying business has to implied ethics on it. Business school students may need ethics training more than most. Many research in USA (1986) have found that student in business ranked lower in moral reasoning than students in other faculty. In addition, research in 1987 for undergraduate business students and those aiming for business career have been found to be more likely to engage in academic cheating (*test cheating, plagiarism, etc*) than students in other major or those headed toward other careers. Business school students may need ethics training more than the others. This is crisis condition that drifting business in very bad crisis condition.

Ethics is not the same as law, that business ethics and the law is in terms of Venn diagram. People believe that law-abiding behavior is also ethical behavior. But there are many standards of conduct agreed upon by society that are not codified in law. Therefore, the legal and ethical domains certainly overlap to a large degree, but not completely. It is conceivable to think of something as being legal and unethical, or unethical but not covered by any law. Most people believe that law-abiding behavior is also ethical behavior. But there are many standards of conduct agreed upon by society that are not codified in law.

Ethics is important, because without ethics the words *justice* and *injustice* would have no meaning. Hobbes calls this condition of war the "*state of nature*", and in such a state each person would become the enemy of the other. In the state of nature human existence would be miserable or, to use Hobbes's famous words, life would be "*solitary, poor, nasty, brutish, and short*". All rational persons, Hobbes thinks, would want to find a way out of the brutish hostilities of the state of nature.

The solution is that we have to accept civil society. Being in a civil society means that we accept the responsibility of obeying the law, abide by our private agreements, and submit disputes to impartial judges. Like an individual, Business also needs such standard of moral conduct. Tells the truth, does not steal, keeps promises, does not harm others – would be hard to see how any organization could function at all, to say nothing of functioning well.

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