

ETHICS IN BUSINESS OR BUSINESS ETHICS?

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As one scans today's business headlines he becomes aware that "business news" is not always the traditional report on the economic state of the business community, but is more likely to be one on its moral and ethical state. Some examples would include,

E. H. Hutton kiting checks - and making millions - illegal but real dollars!

Exxon fined 2 billion dollars for bilking consumers and the government.

Eli Lilly pleads guilty to twenty-five counts of failing to report the fatal side-effects of their anti-arthritis drug, Oraflex.

General Dynamics and Rockwell International suspended from doing business with the Pentagon - - - -

Litton Industries pleading guilty to 6.3 millions in overbillings.

Nineteen individuals in a Los Angeles company indicted for giving and receiving kickbacks in exchange for military contracts.

A partner of a Wall Street law firm, with over \$400,000 annual income at 31 years of age, loses all! He and eleven others found guilty in "largest to date" Wall Street insider - trading scandal.

These head-lines raise the question - Is there such a thing as "business ethics"? Or is the phrase, as the cynics say, a contradiction of terms? One reporter has stated that corporate crime is for real, and is as much a part of the free enterprise system as buying cheap and selling high - that what counts is turning the buck - any which way you can. The bottom line is, after all, the bottom line. Lie, cheat, steal, and kill - these are the commandments of capitalism, obeyed by Robber Barons of the 19th Century just as they are by the Harvard MBA's of the 20th Century.

Crime in business makes headlines - - only because it is not accepted as good business, is not what the press and the public expect from the business leaders. The "making of headlines" would indicate that such behavior is not the norm.

It should be pointed out that there are really two different environments in which business decisions are made. The "Corporate Culture" we hear about is the environment in which business decisions are made that affect approximately 50% of American business activity. The other 50% of American business is composed of what is referred to as small business. Small business is not necessarily small, but refers to those businesses in which the investor, owner/stockholder, has a direct input in the decision making. It includes the locally owned business.

Those businesses included in the "Corporate Culture" in most instances are run by the professional manager, which includes the Harvard M.B.A. We, as Americans, have a traditional prejudice against big business and are prone to associate unethical practices with big business. This is unfortunate. Of the Fortune 500, 496 have not been involved in recent scandals. This is remarkable because the very structure of big business removes responsibility for decision making from the individual and places it on the organization, in the boardroom or in the committee. The mission is to make a profit, to maintain the Company's place in the market place, and keep the stockholders happy. The question of ethics is not a regular item on the agenda of most boardrooms.

The bureaucratic organization of big business in which decision making is done, and the need to meet the projected profit, result in pressure to make the most profitable decisions, and not the ethical ones. The market ethic says, "If it is profitable, it is probably ok"! The culture of most corporations would award and promote those middle managers that meet the profit

projections, and ask no questions about the "how". It would seem this system would eliminate those managers with ethical principles and elevate the managers that get the job done! My questioning of a few people in the corporate bureaucracy have confirmed this to be a fact, at least in some situations. It must be kept in mind that to get caught is the crime, not the doing wrong.

The cost/benefit analysis can become the basis for decision making. The most written about cost/benefit analysis decision in recent times was made by Ford Motor Company. Ford made the decision to keep the Pinto on the market after it had full knowledge that, when hit from the back, it would explode. The cost analysis established the "social cost of a death" to be \$200,750 per fatality. This cost times the estimated deaths plus other costs gave a cost of 49.5 million. On the other hand, recalling the Pinto, loss of sales, etc. would cost 131 million. The decision seemed easy. Michael Consentino, an attorney in Elkhart, Indiana, was not successful in his attempt to prove three counts of reckless homicide against Ford Motor Company. No individual was responsible - it was a corporate decision!

When businesses are caught in criminal activities, or found guilty of criminal negligences resulting in injury or death, their first reaction is that there is no connection between their actions or products and the crime or the victim. The executives deny responsibility, deny knowledge, and turn their backs on the whole deal.

Don Creasey, a criminologist at the University of California says, "The basic principle is that they learn to talk about crime as if it isn't crime. They find some way to talk to themselves about crime without thinking of themselves as criminals." There seems to be a very fine line between a clever business deal and a criminal act. The executives do not ask, "Is this a

criminal act"? They are conditioned to think that they are solving a business problem! Dr. Robert Jay Lifton, professor of psychiatry at City College New York explains this as "psychic numbing - a diminished capacity to feel - a split between knowledge and feeling". This is moral schizophrenia. The executive effected by this "psychic numbing" tells himself that to be successful in business, you must follow different rules of ethics and behavior. He may do all the right things in regard to his family and community, but becomes a completely different person under the influence of the "business culture".

The courts have been very lenient toward the "executive suite" corporate crimes. Many corporate executives are first-time offenders, with good records for contribution to their communities. This could be changing.

It has been said that every man has his price and when there are millions to be made by merely using a bit of inside information the price of many has been met. Paul Thayer, Deputy Secretary of Defense for Reagan, found the temptation too great. While he was Chairman of LTV and a member of the Board of Anheuser-Busch and Allied, he possessed some mundane information regarding certain acquisitions these companies were planning to make. It seemed such an innocent matter to discuss the mergers with a few friends. The friends probably, unknown to Mr. Thayer, made decisions to buy a few shares of the companies "to be acquired" for their and Mr. Thayer's benefit. When the S.E.C. questioned Mr. Thayer about sharing his "insider information" he lied about it. Mr. Thayer was fined \$5,000.00 and was sentenced to four years in prison. The punishment might have been for lying! It's quite possible that had he told the truth, the Court could have understood how natural it is to share good news with one's friends.

The small businessman has a different environment in which to operate. The expectations of his friends, family, and community put him under pressure to do right by those that do business with him. His customers, in many cases, are his friends and neighbors, and any future he has in business will be effected by his business reputation.

Have you heard the expression - "He's an honest fellow, but when it comes to business, he's all business"? This statement would lead one to think we expect the business relationship to be on a different level than other relationships.

Some people call business a game of poker. In poker, each player tries to deceive the other players as to what he has in his hand. It is the rules of the game. There are certain types of businesses that have a general reputation for operating in just such a manner. Many honest businessmen have gotten stuck with undeserved reputations by being associated with such businesses. It would be unfair to attach names to these businesses but, each of us knows certain types of businesses that we would not expect to get any of the facts, much less the whole truth. It is interesting to note that we don't often get hurt by such businesses, for we stay away from them or do business with extreme caution.

The small businessman has many of the same temptations as the large business. E.g. there's the decision to be honest on his taxes, not to mistreat his employees, not to bribe the purchasing agent, etc. These are areas in which the community pressures are not as direct, and the decisions are made by the strength of a person's convictions and his sense of right and wrong. Even when one has a finely honed sense of right and wrong, it is not always easy to make ethical decisions.

The small manufacturer with 75 employees and a good product finds that orders are not coming in and he is faced with laying off at least one-half of his force. His employees depend upon him for their livelihood, and he feels a real responsibility to them. He receives a telephone call from one of his salesmen in New York. The salesman is excited, he has just called on a buyer for a large retail chain, the buyer controls millions of dollars of purchasing power, and he likes their products. There is only one hold up, the buyer and his family have been hoping to take a vacation in the south sea islands. The cost of the vacation could run into a few thousand dollars, and the buyer has suggested a little bonus on the side - maybe 5% of the purchases to be paid in cash.

The salesman indicates to the manufacturer that such an order could keep the plant running fulltime for at least six months. There is a good chance that a good relationship with the buyer could insure many future orders.

What is the right decision? Is the responsibility to the employees such that payment of a bribe is justified? This would not be an unusual situation for a small manufacturer to find himself. What would you do?

This writer has not had a lot of contact with the businesses that hire the Harvard MBA's, but has for over 40 years worked with businessmen, their money, and their businesses. This writer thinks that he is qualified to state an opinion. The American businessman is the most honest business person in the world and, taken as a whole, the American businessmen are probably the most honest and ethical group in our society. They have had very bad press! A few businessmen have allowed the pressure for profit and desire for power to influence their good judgment.

Is there ethics in business? The answer is a definite yes - when the headlines seem to indicate differently, be assured there is ethics in business.

Is there a business ethic? - The answer is yes. I am not sure whether this is good or bad. I have heard of medical ethics, legal ethics, etc, and felt "sorta safe" and that I was being protected. Somehow, business ethics doesn't give me that good feeling. It leaves me with a feeling that business ethics are not the same as just plain ethics. Do you have such a feeling?