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Challenges in Business Ethics

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This article opens by noting the apparent gap between published codes of business ethics and actual business performance. It proposes that business ethics should be taken as seriously by Christians as environmental ethics or bio-ethics. It considers business ethics from two angles: the relationship between business and wider society, and the relationships within corporations between various stakeholders. In the first part it reviews and analyses some of the existing legal and moral principles governing business practice, both in Britain and globally. In the second part it surveys some key biblical ethical principles governing weights and measures, bribery, and employer-employee relations, and suggests how they might apply in today's complex business world.

Introduction: The business ethics paradox

Consider this paradox: At least eight out of ten of the larger companies listed on the London Stock Exchange have explicit business values and ethics policies, a key element of which is a code of ethics. Yet in the first six months of 2007, 140 different incidents of unethical behaviour were reported in the UK broadsheets involving many of these companies.

What are the causes of the apparent gap between having published ethical principles and their becoming embedded in the bloodstream of an organisation? Why is it that according to ipsos-MORI, leaders in the business sector are only trusted by three out of ten of the general public to tell the truth? Has the teaching of business ethics in business schools and management colleges been a waste of time? Should we care about this or is it true that business ethics is truly an oxymoron? And are there Biblical principles that are relevant to what should and should not happen in the market place?

This paper explores these questions and suggests some reasons why the topic is more than of passing interest. It also sets out why market place ethics should concern everyone, not least Christians, to the same extent that, they are questioning aspects of medical ethics, environmental ethics or bio-ethics. Before any explanations are attempted, some definitions are necessary.

The term business ethics is generally used to portray two different concepts. First, it describes the relationship of civil society to the business sector. Second, it involves the interaction of business entities with their main constituents: employees, customers, suppliers and shareholders. These are usually categorised today as stakeholders.

Business & Civil Society

All companies operate on the basis of Company Law. In the United Kingdom, the main legislation is the Companies Acts, the latest of which became law in 2006. Other legislation also applies to business; for instance, laws regulating health & safety and competition (or anti-trust). These set out the basic framework for good corporate governance and business behaviour. There is also in the UK, a relatively sophisticated system of voluntary corporate governance standards which is best summed up in the 'Combined Code'. Administered by the Financial Reporting Council, it expresses 'best practice' which incorporates ethical standards. Adherence to it is a condition of listing on the London Stock Exchange. An example of what is required is that the roles of Board chairman and chief

executive officer are to be held by different people. This was included as a sensible way to dissipate power at the highest level. The directors of listed companies have to 'comply or explain' (to their shareholders) if they do not follow the standard. This is a principled approach and works well for larger organisations. Small and medium-sized companies are also increasingly using the standards contained in this Code as a benchmark on which to base their own corporate governance.

The public debate regarding business behaviour tends to centre on the ethics of the system rather than ethical or unethical practices though, as pointed out earlier, ethical lapses by individual companies do (rightly) attract public attention. An economic system based on the operation of market forces is held by some to be morally unsound as it assumes that the main purpose of business is to 'make money' for its owners, and therefore panders to greed. Others argue that this system is also capable of harnessing human frailty in a way that produces significant quantities of products and services to meet the requirements of the world's growing population. History shows that the energy generated by 'channelled greed' has been used to raise living standards substantially, not least of the economically poor; sadly this happens only where there are adequate and stable political and legal systems in place. The problems with a market-based economy revolve around distribution rather than production, especially among the poorest.¹

Corporate Ethics

At the level of the company, business ethics focuses on the 'how' as opposed to the 'what'. The relevance of this is illustrated by the recent announcement that Marks and Spencer had changed the name of one its Board subcommittees to the 'How we do business committee'.

Ethical issues often arise when the desire for short term profit affects the way a business is run. 'Short-termism', driven by the need for quarterly reporting, does nothing for the requirement to do business ethically.² However, that cannot be made an excuse for a business (or any organisation) neglecting high standards of behaviour.

The code of ethics/conduct/practice is the usual tool that companies use for providing staff with practical guidance on resolving ethical dilemmas that they encounter in the course of their work.

Research of the content of code preambles indicates that two types of values can be distinguished: business and ethical. The most frequent business value words used are quality, excellence, profitability, service (to customer) and leadership. Ethical words include responsibility, integrity, honesty, truthfulness, fairness and accountability. These latter qualities are mainly derived from cultural heritage which can vary according to the prevailing religion or ethnicity.

As the globalisation of international production and distribution is accelerating, there has been a strong desire by both business leaders and politicians to try to arrive at a common set of values that can serve as a basis for business both national and international. A recent ethical standard for the operation of larger corporations is contained in the UN Global Compact. It has ten principles covering human rights, labour standards, environmental protection, and bribery and corruption.

In 1994, an influential group published the Interfaith Declaration for Multinational Companies.³ As a basis for this, it identified four values derived from the core literature of the three monotheistic religions (Islam, Jewish and Christian). These were:

- Justice (Fairness)
- Mutual respect (Love, Consideration)
- Stewardship (Trusteeship, Accountability)
- Honesty (Transparency, Openness)

Welcome as these initiatives are, they will have little lasting effect if they are not applied to the day-to-day business lives of staff at all levels. Corporate codes of ethics are but one tool in a values and ethics policy. Others include a means by which employees can raise questions about issues that concern them. BP for instance, call their policy Open Talk which includes a telephone help line where advice can be obtained on ethical matters and problems reported in confidence.⁴

Relating Scriptural to Business Ethics

Scripture is not silent about standards that God expects in market-place transactions and relationships. Four out of ten people 'go to work' each day and the proportion in Biblical times would not have been very different. In the Western world, what is done today in working time would have been very different from that of Biblical times. Then, agriculture, fishing, military service, building and related crafts preoccupied most working-age people.

In the gospels, the writers show that Jesus was well aware of this and many of his parables were based on workday situations – and these often refer to the responsible use of power and money.

In the rest of this paper, three business ethics issues (among others) referred to in the Bible are related to modern life: first, the deceitful use of weights and measures; second, what Old Testament writers said about bribery and corruption; third, some New Testament precepts to do with master/servant (employer/employee) relations.

Weights and Measures (respecting customers)

In the Old Testament there are strong strictures concerning use of false weights and measures. Its modern equivalent is not giving value for money, either by false description or in other ways deceiving the purchaser of goods and services. For instance, a recent survey of fifty garages which serviced cars⁵ showed that only two of them did the job properly. Motorists generally cannot tell if the service for which they have paid has been done properly – they trust the garage. The medieval mantra of *caveat emptor* – let the buyer beware – is no longer applicable in the twenty-first century. How can an engineering novice be protected from abuse? In this context, reputation becomes important; indeed one of the principal reasons given for taking business ethics seriously is that it preserves a good name. Inadequate testing or the substitution of inferior (and cheaper) ingredients in products ranging from buildings to toys, are regularly reported. What Scripture condemns is the defrauding of innocent people (Lev. 19:35-36; Ezra 4:5; Deut. 25:13; Micah 4:11; Prov. 11:1 and 20:10, 23).

One further example of the modern equivalent of the false use of weights and measures concerns incorrect accounting, both in its monetary sense and in neglecting, for instance, health and safety standards at the workplace. One commentator recently summed up such unethical practice as ‘cooking the books and fiddling the figures’.

Bribery

The practice of bribery and similar corruption is roundly condemned in Scripture.

It is still rife today in all countries of the world not only in the form of the ‘brown envelope’, but in far more subtle and dishonest ways often involving very large sums. The Old Testament concentrates on the issue of the acceptance of bribes in order to pervert justice (Samuel’s two sons were accused of this [I

Samuel 8 & 12]). Isaiah calls upon leaders not to use their power to cheat the poor and not to accept bribes. In Amos chapter 5 and Psalm 26, the writers ask to be spared from ‘those who do evil and are always ready to take bribes’.

Business ethics starts where the law ends. Bribery is a criminal offence in the UK and recently the UN Convention against Bribery and Corruption has achieved the status of a Treaty and is therefore part of International Law. But what exactly is bribery? ‘The giving of something to persuade another to act in a way that they might not have otherwise done’ is the usual type of definition. But what about the gift of a small amount of cash to a lowly official to carry out his normal duties? Known as a ‘facilitation’ payment, it is not a criminal offence in many countries (it is in the UK) but is discouraged in most corporate codes of ethics. This kind of bribery is known by many different ‘slang’ names in different parts of the world. They include kickback, buckshee, backhander, rashwa, graft, grease payment and payola.

The definition is further complicated when an extortion is involved. There is usually an element of menace in such a threat and most companies advise that it should be conceded. Ethics suggest that human suffering or potential physical pain supersede any loss of money in most scale of values.

Whatever it may be called, the practice distorts the normal transaction between two parties and, somewhere down the line, someone or some organisation will be the loser. This is what the scriptural precepts refer to.

Employee/Employer Relations

Many business-ethics dilemmas involve the relationship between employer and employee. In Biblical times the practice of slavery was generally taken to be normal. They were ‘kept’ as property rather than paid as servants. Today the terms slave and servant are hardly used – indeed a well known London club founded in the 1830s, in the course of changing its rules, has substituted the word employee for servant. Whatever the terminology, some New Testament writers were concerned to emphasise the obligations and duties of both employer and employed. The main passages on this topic are: Col. 3: 22 - 4:1; Eph. 6:5-9; Titus 2: 9-10; and 1 Peter 2: 18-19.

The main point being made by the authors is that there are obligations on both sides. Servants are to

do what they are asked and be loyal, even when there are difficulties. They are to be consistent, not just when the employer is looking; and they are to be thorough. They are not to steal but rather be trustworthy. In the Pauline passages, Paul suggests that the model is to act as though the employee is serving Christ!

Masters are enjoined to behave in similar fashion, avoiding threats and bearing in mind that they too will have to give an account to God for their actions.

Ethical issues that arise in employer/employee relationships today include discrimination, harassment, bullying, lack of openness and issues around work/home balance. The New Testament writers envisioned a relationship based on mutual trust. This is still the most effective today. When trust falters it is never easy to re-establish.

Conclusion

What then can be done to overcome the paradox with which this paper started? Is there anything that Christians can contribute to 'closing the gap'? The critical challenge is to re-establish the link between *what* a business is doing and *how* it does it. The Bible makes it clear that certain practices are not to be tolerated however great the pressure to produce results. It takes courage to behave in accordance with a company's core ethical values. Unless business leaders at all levels give a clear lead in the 'how' as well as the 'what', the gap is unlikely to be closed. It is the tone at the top that counts and Christians especially know something about that.

End Notes

1. Peter Heslam, 'The Role of Business in Making Poverty History', *Whitfield Briefing* 10/3 (August 2005).
2. Jonathan Wellum, 'Managing beyond our time,' *Comment* (October 12, 2006). <http://www.wrf.ca/comment/article.cfm?ID=212>
3. S. Webley, 'Values Inherent in the Interfaith Declaration of International Business Ethics', in: G. Enderle (ed.) *International Business Ethics - Challenges and Approaches* (Notre Dame, 1999), pp. 96-108
4. K. Bradshaw (ed.), 'A Good Practice Guide to Speak-Up Policies', Institute for Business Ethics (London, 2007).
5. *Which?* (August 2007).

For further reading

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- A. Crane & D. Matten, *Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization* (Oxford University Press, 2007).
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