Introduction

"The Ethical Factor in Business Decisions"

In the years between 1977 and 1980, an unusual series of meetings took place that joined two rather different worlds - that of business and that of the university. During this time a group of prominent business leaders from the Long Island area met monthly with several faculty members from the C.W. Post Center of Long Island University. Supported at first by a grant from the Ellis L. Phillips Foundation, this continuing seminar on "Value Decisions in Business Management" brought industrialists from the fields of electronics, aerospace, banking and finance, law, office systems, and utilities together with professors of political science, philosophy, and business in provocative exchanges on the wide scope of issues that center around the ethical dimensions of business decisions. The breadth of industries, fields, and interests that were represented in the seminar joined with the striking candor and independence of the people who participated. From the start we agreed not to speak as representatives of particular industries or fields but as individuals with diverse experience and ideas on the ethical issues that arise in the course of making business decisions. The results of this unusual mix were unpredicted, both in form and substance.

The participants agreed that the social importance of business decisions went well beyond the balance sheet. As a major sector in modern American society, business touches many areas of communal life, and the social effects of business policies and actions hold profound moral significance. Determining how this influence could be identified and guided became the principal task of our meetings. We decided that the best contribution we might make to the public discussion of business morality would be to develop general standards to assist corporate policymakers in formulating their own specific standards for ethical conduct of their business affairs. Working with an unusual degree of cooperation, the seminar produced a set of criteria that represents a consensus of its members of these issues. Although each participant might qualify one or another of the standards, the criteria are hardly diluted into the thin substance of compromise. On the contrary, they preserve the forcefulness of our discussions and represent a forthright attempt to respond with action as well as understanding to those issues of major moral significance that confront the makers of corporate policies. These criteria appear as the Appendix to the present volume.

Yet with this goal accomplished, the participants in the seminar were unwilling to relinquish such stimulating and productive exchanges, and the seminar continued to meet for well over a year to pursue these issues still further. Wishing to develop the ideas implicit in the criteria more fully and to articulate individual views on the questions that were considered, we decided to elaborate a group of essays on
many of the subjects that the criteria treated. Without attempting to be complete or comprehensive, this book reflects something of the strength and forcefulness of our discussions as well as the specific views and proposals of some of its participants. Clearly these ideas are not necessarily shared. Responses to the essays from others in the seminar varied from useful suggestions that were incorporated into the text to respectful qualification, from basic sympathy to violent objection. Only total acquiescence was absent, testimony to the individuality of thought and independence of judgment of the members.

William Thompson begins, in "Corporate Ethical Standards," by developing the general significance that such standards have in the management of a corporation. Far from evading or minimizing ethical standards, he is convinced that they color the entire operation of the corporation, not only within the company but in its relations to its competitors and to the public as a whole. This was a position that received broad support in the seminar, and Thompson makes an important contribution to articulating this view by his detailed application of the principle to specific instances and by his conviction of its economic as well as moral justification.

In "The Corporation and its Constituencies," Eric Walther confronts the difficult issue of the seemingly divergent and opposed interests of shareholders, employees, the corporation as a whole, its customers, and the public at large. To respect the conflicting interests and their necessary interdependence by classifying shareholders as primary and the others as secondary is no simple solution. Walther's treatment of the problem offers many subtle and illuminating observations and distinctions, as when he differentiates responsibility in the sense of having obligations to a party and responsibility in the sense of being answerable to a party. His argument centers around the claim that the nature of the corporation lies in its being a cooperative undertaking that must serve the interests "of each constituency 'in the context' of the interests of the others."

Abraham Krasnoff and David Westermann treat the difficult and controversial matter of the relation of business to government. Krasnoff maintains, in "Business and Government in a Pluralistic Society," that there are more than two participants in the relationship. Government exists on many levels, levels that may oppose one another's purposes; similarly, business is one force in a complex network of social institutions and groups. Functioning within a "polyarchy," business must act in the light of public well-being as well as in its own interests. Westermann's concern in "Value Decisions and Pressures for Reform," lies with how the reform of business practice is to proceed. The simplistic appeal to governmental regulation and control is no answer. A discriminating mind is needed to identify necessary and productive reforms. Professional judgment must be the basis of reform, not indulgence in impetuous actions provoked by individuals and groups who utter the ill-considered cry of reform as a catchword for dealing with every presumed abuse.

Employees are one constituency of the corporation that W.E. Fromm singles out for special discussion. In "The Social Responsibility of Business to Employees," he recognizes the changed
character of the employee of the present day. It is good business judgment, Fromm argues, to realize that employees include management, and that they constitute a group that is far more individualistic, complex, and educated than in the past. "In particular, employees today seek self-fulfillment, and this requires a response on the part of business leaders "to match the full resources of human beings to the whole task the corporation or business seeks to accomplish." For the corporation to encourage and implement conditions for self-fulfillment for all its employees is both morally responsible and the most productive use of intelligent human resources. Self-fulfillment here joins the work ethic.

Another constituency of the corporation is the local community, and Stanley Jarolem examines its place in the social pattern dominated by the corporation. Using historical arguments, Jarolem shows how a profit standard alone is no longer morally justifiable. The mutual dependence of corporation and community is taken to illustrate this claim, but Jarolem goes farther to identify particular obligations the corporation has in its relations to the community.

Changes in the nature of the work force require changes in how it is treated, W.E. Fromm has argued. In "Employee Participation in Decision Making," he goes further to maintain that it is important that all employees, from top management to the worker on the line, should be involved in decision-making, for employees contain vast energy and potential, a rich resource for the corporate business world. There should be an atmosphere of equality among those who do their particular job well, whatever it be. It is here where each such employee has expertise or wherever his interests are affected that he can offer his special contribution to the making of decisions. As a corollary to this, some of the profits should return to the employees in one way or another. A mature work force will justify such practices.

Two of the most obstinate ethical problems that occur in international business lie in determining comparable wage scales between corporate enterprises conducted in this country and those carried on by foreign affiliates, and in the practice of paying bribes in arranging sales abroad. Double standards are generally acknowledged to be morally repugnant, and in "Multinationals, Local Practice, and the Problem of Ethical Consistency," Arnold Berleant forces the moral question and offers two principles that he claims can guide attempts at achieving consistency. The principle of contextual generality can assist in equalizing scales of compensation under differing social and material conditions, while the notion of structural universals shows how bribes, while common practice in some countries, are morally unsupportable. Here international business is called upon to exercise leadership, not only in the conduct of its own affairs, but in efforts to implement moral progress.

That these matters of business ethics must be faced today needs little argument. The intensifying discussions that have been directed at ethical issues in business for more than two decades is evidence enough that concern with business morality is not a passing public fashion. Rather it
involves issues that can no longer be ignored. As the interpenetration of industry, society, and public life becomes more intricate, the ethical impact of management decisions will become an increasing force in shaping the quality and character of American society.

Perhaps these essays and the criteria which preceded them will stimulate fresh and productive thinking on these issues and will provoke imaginative and enlightened action by those who participate on all levels in the business world. So influential a segment of our society as business has a particular obligation to exercise moral leadership and the need and responsibility to offer it. From this we all shall gain, business in pursuing its particular ends, society as a whole in achieving that enviable conjunction of well-being and integrity that is the mark of high civilization.

This introduction would not be complete without mention of some of the people whose support was essential to the success of the seminar of which this book is a result. Chancellor Albert Bush-Brown of Long Island University gave initial impetus and helped gain support for the general program in business values at the C W. Post Center. Ellis L. Phillips, Jr. had the imagination to see the possibilities of the program and gave it both his full backing and his tactful participation in the seminar meetings. The foresight of the Ellis L. Phillips Foundation, through a three-year grant to the C W. Post Center, generated a range of programs that are still continuing under their own momentum. John C Bierwirth, Chairman and Chief Executive Officer of the Grumman Corporation, played a special part in bringing outstanding members of the business community into such close collaboration with one another. President Edward J. Cook of the C W. Post Center not only gave support and counsel, but became so intrigued with what we were doing that he became an active participant in the later phases of the seminar. Professors Walther and Jarolem joined with me in regular planning meetings to ensure ordered and productive sessions. Mrs. Ursula Luzon contributed with the numerous tasks of typing and of coordinating activities with skill and constant good cheer. Finally, my special gratitude goes to the active members of the seminar, many of whom are represented in these pages, whose cordiality, openness, and good will helped make this a memorable experience for all who took part.

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