Good Business or Good *Business*? The Role of Values in Business

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"I can teach thee, coz, to shame the devil by telling the truth: tell truth and shame the devil." Hotspur in Shakespeare's Henry IV, Part One.

Samevatting

Die vraagstelling van hierdie artikel is of besigheid net deur wins/profyt gekenmerk kan word. In hierdie artikel word beredeneer dat suksesvolle besigheid naas 'n wins/profyt ook etiese waardes moet hê. Die standpunt word onderskryf deur onder meer die Etiese Instituut in Suid-Afrika se verslag oor besigheidsetiek in 2003. Die standpunt word verder vanuit die filosofie van die kosmologiese idee beredeneer. Op die basis van hierdie filosofie word besigheidsetiek gedefinieer as trou/geloofwaardigheid in besigheid. Die artikel vervolg deur 'n raamwerk vir besigheid gekenmerk deur etiese waardes, voor te stel. Kenmerkend van hierdie raamwerk is leierskap, vertroue, waarheid en volhoubaarheid.

1. Introduction

The Ethics Institute of South Africa recently published its 2003 report on business ethics in South Africa. It was found that:

- 24% of companies do not have a Code of Ethics despite the fact that this is a requirement when listed on the JSE Securities Exchange;
- the majority of companies do not yet meet international corporate social responsibility standards; and
- 25% of individuals responsible for managing ethics are unaware of this responsibility or else do not know to whom the task is assigned (Vaida 2003:3).

From these findings it is evident that good business requires much more than simply profit making. Profit should not be the only barometer of good business. Values form an integral part of good business. These observations will form the focus of study in this article.

2. Contextualising the topic

What constitutes effective business? Is it profit, principles and values, or both?

If business were only about rands and cents, then the answer would have been easy: *Profit lies at the basis of good business.* Since business involves organisation building, human resources development, environmental sensitivity, occupational health and safety and so on, however, it cannot be "good" if money is the only concern. From these statements the following conclusion may be drawn: *Good business is a mixture of profit and values*.

But isn't this a theoretical interpretation of *good* business only? There is another point of view, as reflected by Carr. He holds the following opinion:

> And no one should think any worse of the game of business because its standards of right and wrong differ from the prevailing traditions of morality in our society. This is not to say that sound business strategy necessarily runs counter to ethical ideals. They may frequently coincide, and when they do, everyone is gratified. But the major test of every move in business, as in all games of strategy, is legality and profit. A man who intends to be a winner in the business game must have a game player's attitude (Carr 2001:172).

In addition, Badaracco and Webb (1995) present a similar picture of business ethics. In a study on middle managers' views on business ethics, they found that "[f]ailure to perform, be a team player and avoid gross transgressions such as stealing, lying, or drinking on the job was hazardous. Poor performance was the surest way of earning discipline. In contrast, unethical behaviour was rarely mentioned ... Ethics was a matter of exit, rather than loyalty or voice" (Badaracco & Webb 1995:13, 21).

This leaves us with two perspectives. The *first* one is that good business couples profit with values -- therefore business not at any cost. The *second* perspective supports the view that the only business criterion is profitability. Should moral values be part of a good business deal, then that would be a bargain. The question is therefore whether value-driven business is sustainable in a competitive environment? Can values ensure a competitive edge?

This article will argue that good business is more than money only. To support this view, a framework for ethical business will be outlined.

3. Clarification of the concept of business ethics

"Business ethics" is very often seen as a contradiction in terms. This means that ethics and business simply do not go together, and that all business is in some way unethical (Crane & Mattin 2004:9). This observation stems from the beliefs that business is associated with money only, and that money is the root of all evil. This perspective dates back to the Calvinistic worldview which prohibited the charging of interest. According to this worldview, man is forbidden from charging his fellow man interest; in terms of the Calvinistic philosophy that business belongs to a lesser order of life and is at odds with man's religious character.

In this article ethics is not considered foreign to the business environment. It is taken as *a priori* that all activities of human existence have an ethical dimension. Ethics in business should not be seen as an attempt to make business saintly. Business ethics depicts the notion of values in business. These values deal with all associated business activities. This interpretation of business ethics originates from the philosophy of the cosmonomic idea (H Dooyeweerd). According to this philosophy economics is one of 15 aspects of reality within which man experiences life on a daily basis. These aspects are interwoven with each other. To illustrate this, consider the following:

- Business growth = economic and biotic aspects
- Cross national trade = economic and cinematic (movement) aspects
- Global business = economic and spacial aspects
- Business trust = economic and religion aspects
- Business language = economic and lingual (signs) aspects.

In defining a particular issue (for example business ethics) it is important to understand the core of the individual aspects of reality. The core of economics is thrift/frugality. The core of ethics is love [as distinguished from religious love (central love command) and erotic/romantic love]. This love has to do with **moral faithfulness/truthfulness**.

Bearing in mind that the various aspects of reality are interwoven with each other, business ethics can be defined as **faithfulness/truthfulness in economic and economic-related activities.** This means that whether man is economically active in buying/selling, working in a business or business-related environment, or calculating the effect of economic activities on communities and institutions, this activity should be characterised by faithfulness/truthfulness. My argument is therefore that faithfulness/truthfulness should be evident in all economic or economic-related activities.

The working definition for business ethics in this article is economic faithfulness/truthfulness.

4. Economic faithfulness/truthfulness in the context of business ethics

Existing perspectives in business ethics will support my definition of business ethics, namely economic faithfulness/truthfulness.

A common trend in business ethics is the argument that people *have to make choices in business.* These choices cannot always be regulated through contracts. Therefore decisions need to be taken in a context of faithfulness/truthfulness. This is only possible if trust prevails. Donaldson & Dunfee (1999) say that business ethics is defined by trust between two parties. The common agreement of the parties on a situation is enough to ensure business. A handshake between two business people very often symbolises that both parties agree to the unwritten rules of doing business.

Regardless of one's choice, it is always shaped by religious, family and educational values (Van der Merwe 2002). In addition, there exists a dynamic process of counter-influence: the influence of the group on the individual and vice versa (Lenn 2002). These values will direct one in making choices. In making choices, a person's individual conviction will be the leading instrument. It is within this context that Fisher (2002a) defines business ethics as *making choices*. One must distinguish between "doing the right thing" and "doing things right". Once again, trust is a vital instrument in the business environment. No choice can escape responsibility. Responsibility is fundamental to ethical behaviour (Douma 1983). Badaracco (1998) identifies four spheres of responsibility which will direct the manager in making ethical decisions in business. These spheres are:

Sphere of responsibility	Contents of responsibility
Personal ethical values	Personal values consist of the duties, commitments and ideals that shape and guide individuals' lives.
Responsibilities as economic agents	As economic agents, managers have the fiduciary duty to serve the interests of their company's stakeholders
Responsibilities as organisation leaders	As organisation leaders, managers' decisions and actions have significant consequences for the lives, livelihoods and well-being of their employees.
Responsibilities in co-operative capitalism	Managers' ethical responsibilities do not stop at the boundaries of their companies. This is true not only in dealing with other firms, but also in dealing with international / globalised companies.

From these observations it is clear that business ethics embodies the idea of faithfulness/truthfulness. Faithfulness/truthfulness doesn't convert business into a moral activity. Instead it ensures that business can be sustainable due to the trust that people put in a company, the returning customer, and so on.

5. A framework for good business

A framework for business ethics cannot be limited to a few aspects only. The aspects presented here are meant to contextualise the notion of business ethics as economic faithfulness/truthfulness.

5.1 Business leadership

In every business, the role of business leadership is crucial (Fisher 2002b). A profession influences a value system. Senior management has to be engaged in forming their view of right and wrong in a business. In his case study, *The parable of the Sadhu,* Bowen McCoy (1997:7) states that in a complex corporate situation, the individual requires and deserves the support of the group:

> When people cannot find such support in their organisations, they don't know how to act. If such support is forthcoming, a person has a stake in the success of the group and can add much to the process of establishing and maintaining a corporate culture.

For business ethics to be part of a company's management philosophy, it is imperative that the company should also be ethically fit for this challenge. This begins with the mutual value between employers and employees. This is reflected, amongst other things, by business organisations realising that no organisation can operate without people and that meaningful work should return to people. McCoy (1997:4) remarks that "[n]o one person was willing to assume ultimate responsibility ... Each was willing to do his bit just as long as it was not too inconvenient. When it got to be a bother, everyone just passed the buck to someone else and took off". In business leadership the psychology of turnarounds is vital. Especially in ailing companies, employees and employers can very easily descend in a spiral of negativism. It is in this context that the energy of the group and their hope exist alongside financial and strategic cunning (Kanter 2003). Employees must be kept motivated. Baker (2003) says that the secret of motivation is to adhere to simple values such as honesty, fairness and generosity. These simple values are supported by an effective communication strategy. Leaders should continuously discuss their interpretation of the company's values with employees and open the floor to genuine and safe dialogue. Employees can very often interpret the company's values against their own expectations and read their own ideologies into a company's values. It is for this reason that leaders must work diligently to invite discussion on a company's values: "A leader will be measured on the basis of his perceived values, so he should ensure that employees and management share an understanding of what those values are" (Edmondson & Cha 2002:19).

5.2 Trust

Galford & Drapeau (2003) mention that even if a manager is trustworthy it does not mean that he/she will be able to build trust in an organisation. In any organisation there are many "enemies" of trust. The most popular enemies are inconsistent messages from top management, inconsistent standards, a willingness to tolerate incompetence or bad behaviour, dishonest feedback, a failure to trust others to do good work, and a tendency to ignore uncomfortable situations, consistent corporate underperformance and rumours.

When Hooper & Porter (2001:39) discuss the "values-driven organisation" they argue that organisations should be consistent in their approach to challenging situations in that they live by their values. The organisations should "walk the talk." Fisher (2002a) rightfully emphasises the importance of the manager's moral integrity to make responsible ethical decisions. Drucker (2003:128) argues along the same lines. He says that in decision-making one should decide on what is right rather on what is acceptable. From an organisational perspective, values should be integrated in all the activities of the organisation. If not, then the unethical behaviour of an organisation can seriously harm it. Future customers and employees will not associate with the practices of these organisations (Newell 2002:232). Business is no longer characterised as a "*tell me"* culture. What is now needed is a *"show me"* culture *(*Visser & Sunter (2002:78).

5.3 Truth

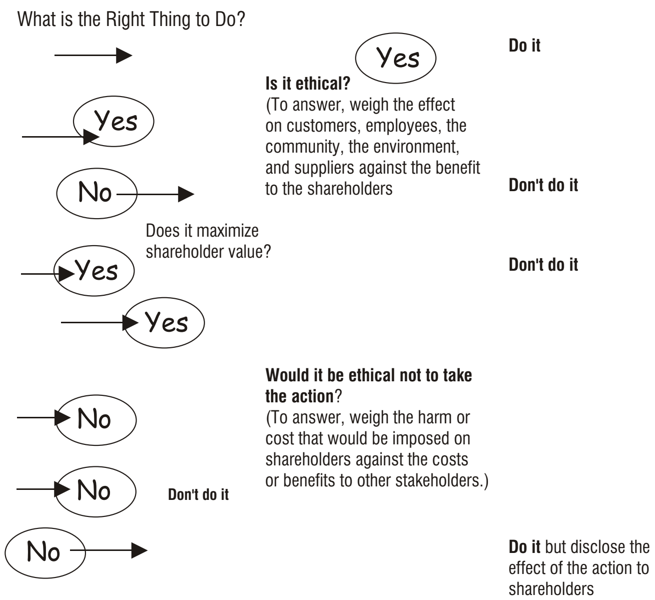
The editor of Harvard Business Review, Thomas A. Stewart, quotes Shakespeare's Henry IV on truth telling. He builds on this by saying that truth telling can be profitable for any company. Very often people perceive the truth as harmful to a business. The 'truth' is that silence and misinformation are harmful to an organisation (Stewart 2003:8). Kanter (2003) shares the sentiment in stating that secrecy and denial should be replaced by dialogue, blame and scorn by respect, avoidance and turf protection by collaboration and passivity and helplessness by initiative. There is no substitute for truth.

5.4 Sustainability and not greed

Coutu (2003) analyses greed, stating that human greed is not a new phenomenon. What is alarming, however, is that entire societies are infected with money lust. Greed is very often attributed to "other" people but never to "me". Nowadays it is as though people simply want more without taking into consideration the negative affects of greed on the morale of society. The US Federal Reserve Board chairman, Allan Greenspan, says that "infectious greed" had contaminated US business. Greed constitutes a dire need to possess -- whether something is necessary or not. Religion has condemned all forms of greed, yet people keep on collecting more than is necessary. Psychological roots can be traced in all forms of greed. What is troubling, though, are the lengths to which greed will go: people never seem to switch off their lust for possessions. And what is more, greed has become a relative phenomenon: *To have is the value, to lack is the shame.*

6. Decision-making for good business

It is laudable that business has become more ethical. The problem, however, is the tension between a manager's responsibility to maximize the shareholder's value and his responsibility to behave ethically. To navigate the manager's ethical decision-making, Bagley (2003) has drafted an "Ethical Leader's Decision Tree".



What is evident from this model is that a business decision entails much more than just a calculation of how much profit can be made. Fundamental to this tree, is the question of whether an action is legal. The next level of engagement is whether it maximizes the shareholder's value. The third level of interaction is the question of whether it is ethical.

This decision-making process is supported by the King Report 2002, amongst others, which deals with corporate governance. As regards ethics, the report requires a statement on organisational integrity and managerial support in favour of organisational integrity. The report seeks evidence for the existence of:

- systems and procedures to introduce, monitor and enforce the Code of Ethics;
- the responsibility of a senior executive to oversee the compliance with the Code of Ethics;
- processes to assess the integrity of prospective new appointees and promotion candidates;
- the exercise of due care in the delegation of discretionary authority;
- communication and training programmes for employees on the organisation's values, standards and compliance procedures;
- the reporting of unethical and risky behaviour ("whistle blowing");
- the consistent enforcement of discipline in relation to breaches of ethical behaviour;
- steps to prevent the re-occurrence of breaches of ethical behaviour; and
- directors' statements on the extent to which they believe ethical standards are being met and supported by the ethics programme.

7. Conclusion

This article has emphasised that good business entails much more than just being profitable. This observation is supported by four different views:

- A theoretical analysis of the concept of business ethics in the context of the philosophy of a cosmonomic idea.
- Prevailing perspectives on business ethics.
- A supportive framework for business ethics.
- A framework for good decision-making.

The contribution of this article is to enhance the perspective that business cannot go without values and that all business needs a supportive ethical framework.

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