Profit with principles

Imagine you are the general manager of a Spanish company with hotels in the Caribbean. On your first trip there, you discover candidates for cleaning staff at your hotel are required to have pregnancy tests. It?s legal, and no one seems to mind, but it occurs to you that women could be having abortions to get jobs. What do you do? In his new book, *Business Ethics in Action*, Domènec Melé poses dilemmas like this in a bid to get the new generation of managers, executives and consultants thinking about how to deal ethically.

©IESE Business School



July 1, 2009

The Arthur Anderson, Dennis Levine and Siemens scandals are all exemplars of white-collar crime which made business ethics seem like a contradiction in terms. As fat bonuses and greed get blamed for the current financial mess, those who suffer are starting to wonder if our lack of conscience could be responsible.

Oddly enough, since the Industrial Revolution, it is actually only over the past 30 years that people have begun to view ethics as integral to doing business. Amidst growing respect for the environment, the civil rights movement and revelations of White House dirty tricks, the '70s marked the call for greater conscience. Thus, a company with principles has become less of an oxymoron.

Now, many big players have a strong ethical framework, including Johnson & Johnson and IBM, to name a few. But many firms and individuals still view ethical considerations as optional, and some use seemingly ethical aims as mere window dressing to keep customers

©IESE Business School

happy.

Part of this is due to ethics not being taught at universities as fundamental to business. So, with *Business Ethics in Action: Seeking Human Excellence in Organizations* (Palgrave Macmillan, 2009), IESE Prof. Domènec Melé provides much-needed material for classes devoted to the subject, but also offers a book to be used in every area of the business curriculum.

Citing a host of bad examples, including those just mentioned, Melé shows the reader that ethics are not optional extras, but indispensible to good business. He doesn't simply tell us what not to do, but illustrates how firms can go the extra mile.

Universal Principles Based on the Person

A company is nothing more than the sum of its parts. On this premise, the author writes from a person-centered perspective. Accordingly, principles and norms for good behavior bring out the best in people, so that their excellence can flourish. The author is careful about distinguishing a rational and universal ethical code from the spontaneous morality of any one person.

Throughout the book, readers are given the chance to test their adherence to non-culturally specific rules with tricky ethical dilemmas included in each chapter. The author also addresses controversial arguments being made today — such as whether capitalism by definition is ethically acceptable.

The book consists of an introduction and four main sections: individual business ethics, managerial ethics, organizational ethics and societal ethics.

The opening section discusses the role of ethics in business, including whether they pay off, and why firms choose to be more principled. The author also takes this opportunity to clarify terms and concepts of the field. Afterwards, business ethics are put into a political and social context, urging that companies need to go beyond simply what's legal.

Particularly controversial is the last pillar of the introduction, which deals with cultural diversity and international values. Respecting cultural diversity, as well as higher principles, is a careful balance. The author argues against cultural relativism and describes organizations that justify this stance by drawing up ethical guidelines for worldwide use. A description of several world religions' links to business ethics is also included to show the timelessness and universality of certain principles.

©IESE Business School

The Cog in the Wheel

The next part of the book deals with the individual within the organization, first considering how ethics are at the core of human action.

A great example of this is given in the form of Francois Michelin's company philosophy, which corresponds with the person-centered approach. When dealing with people, you must be aware that everyone has intrinsic dignity and worth, he states.

Melé then turns his attention to individual responsibility and how to make sound moral judgments in decision making. He highlights the actions of Cynthia F. Cooper, the whistleblower in the WorldCom scandal. In addition to whistle-blowing, the author describes other ethical hot-potatoes such as insider trading and fraud.

Managing To Be Ethical

The book then moves on to questions of managerial ethics. Citing the questionable behavior of Wal-Mart, Melé asks: For whose sake is this firm managed?

There's no easy answer to this, as firms can be governed variously in the interests of shareholders, stakeholders or the common-good of the company community.

The next chapter discusses use and misuse of power, presenting Sir Adrian Cadbury as one ruling with justice.

Melé closes this section of the book with a look at the qualities that make a good leader, such as wisdom and integrity.

The Organization

After exploring the individual and management, Melé focuses on organizational ethics. A company's creed should be reflected in its culture, he states, as opposed to being all words, no action.

To respect individuals, the organization must allow them to exercise their rights as workers. Such rights are detailed in the following chapter, where the author touches on issues such as child labor, health and safety, and racial discrimination.

Outside of the organization, the company also needs to take consumers' rights into account, and this is where the ethics of marketing come in. The story of Mattel's massive toy recall

©IESE Business School

demonstrates that companies will suffer if they withhold vital information from consumers.

The Bigger Picture

The final section of the book grapples with the relationship between the organization and wider society.

First, Melé explains corporate social responsibility and corporate accountability, briefing us on the historical view and mainstream theories, and then making some practical proposals.

Corporate citizenship is described in the next chapter. Because the company is part of a community, it must act responsibly toward other members and, therefore, bears responsibility toward sustainability as well as purely economic considerations. Shell discovered this the hard way when it tried to sink the Brent Spar oil platform.

The last chapter of the book goes into environmental ethics in more detail, suggesting some possible strategies for being an eco-friendly company — a theme that is fast moving to the top of everyone's agenda.

©IESE Business School