

# THEOLOGICAL TRENDS

## Business Morality: People and Profit

**B**USINESS MORALITY IS A POPULAR TOPIC in the United States. Almost every college running a Business Studies or a Master of Business Administration (MBA) programme has courses on business ethics. Many bookshops have shelves of books on the subject and shareholder groups have been formed to exert pressure on companies to adopt higher ethical standards. Shareholders tend to be much more vociferous in the United States and to attend company annual general meetings to express their views. In Britain, by contrast, there are almost no books and so far there has been little real interest.

Few theologians have written about the ethical problems that arise in business, yet most people spend all their working lives in this environment. Week after week people may go to church, yet rarely if ever will they hear anything that touches their business lives. This is a serious omission and helps to make Christianity appear irrelevant to the real world in which we live.

### *What is business morality?*

The first examples of immorality in business to spring to the minds of most people in Britain will be the Guinness affair or National Westminster Bank's conduct in the Blue Arrow rights issue. This involved the merchant bank, County Natwest, concealing the failure of the rights issue by arranging for the shares which were not applied for to be taken up by funds that it had under management, as well as by some associated banks. Such occurrences as these, however, have little to do with business morality in the way I want to consider it. Saunders and others in the Guinness affair broke the law and the County NatWest directors were in clear breach of Stock Exchange rules. There are no moral issues here, the moral guilt of those involved cannot be doubted.

Moral problems in business arise in the more complex area where the law falls silent. In the last twenty years the law has moved to take over the moral arena—what is ethical has become what is legal. If something is illegal, then lawyers are employed to show how it can be made legal. Provided companies are not breaking the law, it seems reasonable for them to feel that they are behaving properly.

My contention is that the area of the moral is wider than the legal, that many actions may be perfectly legal but totally immoral. Moral complications arise where the law has yet to focus and it is precisely because there are no clear rules in this area, that some can find the situation so complicated whilst others feel that there is no need to be concerned.

Some cases of immoral behaviour are obvious. For example:

(a) An agreement for several thousand tons of waste from a steelworks in West Germany described as 'commercial goods' were sent to be smelted in a Polish

steelworks. After some of the waste had been processed, the Polish authorities found it contained highly poisonous PCBs and stopped the scheme.

(b) Several thousand tons of ash from a Berlin power plant were sent to Warsaw to be mixed with cement. It was found to be radioactive.

(c) Some 50,000 used batteries discarded in the West were put on the market in Poland as 'new'.

(d) Some four million tons of Rhine river sludge were to be taken by train for dumping in a disused Silesian coal mine. The sludge, described as 'harmless' by the Germans, was found to contain cadmium and cobalt.

We can all recognize the immorality of these actions, even though the German companies concerned may have been obeying the legal rules, just as we can recognize the immorality of British firms who have shipped some of their waste products to be dumped in the Third World—often with little supervision.

The problems come not in these obvious cases but in the more doubtful cases. We need some sort of litmus test which will help us to recognize moral dilemmas in business on a day to day basis.

#### *Ethical trusts*

One place that we might look for moral criteria to apply in the business arena is the ethical trust industry. Many of these trusts have now been established and they are marketed to the ethically concerned investor. By looking at their investment criteria we might reasonably hope to get some guidance.

The ethical trust industry has available to it the services of a research organization called EIRIS (The Ethical Investment Research Service). This monitors companies' performance by reference to various criteria and can make this information available to unit trust managers and investors. Many ethical trusts simply avoid investment in companies with tobacco, defence or South African interests. This, however, is far too simplistic. Take the example of the defence industry. Unless one is a pacifist, weapons are needed to defend oneself, so a blanket ban on defence manufacturers seems naïve. Of course, grave moral problems can still arise. Is it right to sell defence equipment to a country which really does not need it, particularly if the country is desperately poor and cannot really afford to pay and if, perhaps, inducements or commission payments to guarantee the deal have to be made to local political contacts? Is it right to sell to a country where you suspect but do not know that the weapons may be used for aggression or where the government is corrupt and will use the weapons to keep down internal dissent?

Similarly with South Africa. The idea that it is necessarily morally right to disinvest from South Africa is too simple—the situation is complex and facile solutions are unlikely to be the right ones. To reject a company because it invests in South Africa may be to reject a company which is a real force for good and for change in the land. There are sound moral arguments in favour of and against disinvestment, although these are not always considered carefully.

More sophistication is required than some ethical trusts have so far shown—although there are some who are better than others. In a way, their broad-brush approach is understandable. After all, they need to market their trusts to the ordinary investor and most ordinary investors have not even considered such issues.

#### *Prevailing assumptions*

We are brought up within a society and a specific community and tend to adopt the values of that society and our community. Most of our ideas are received from our parents, from our schooling, from our religious upbringing, from our friends and colleagues and from the papers we read. If everyone accepts a situation, then we tend to consider it acceptable. The majority rules and if the majority are content then most of us will be content as well. All too often we tend to measure our actions not against any absolute standard but against the average accepted by our community—this is particularly the case where the Churches fail to provide any clear lead. It just may be, however, that the majority are not right.

Before Wilberforce, the majority accepted that slavery was permissible. Before the anti-apartheid campaigns started, the European majority in South Africa accepted the *status quo*. Before the campaigns for the emancipation of women, most men accepted that women were not capable of exercising voting rights.

I want to argue that we are at a similar turning point in moral history. Up to now, there has been one criterion for success in business and that has been financial. If company profits are increased, if asset values per share rise, if the share price increases, then all is well. If we are optimistic, we may hope that the 1980s may have been the last decade where unbridled licence was given to the free market and where financial success was the only yardstick. This situation can and must change—a new approach and a new era is called for.

Machiavelli has got a bad name, although he was an attractive character. His basic moral philosophy can be summed up by saying that the ends justify the means. Any means are justifiable to bring about the desired end. Most businesses today are run on Machiavellian lines—the ends are clear: to increase profit, to boost the company's asset value and the share price. Many businessmen work on the implicit or explicit assumption that, if the end is profit, any means to achieve this end is acceptable. This can no longer be regarded as a permissible approach. Some other factors need to be introduced into the calculation. The crucial factor, in my view, is the irreducible importance of each and every human individual.

You, the reader of this article, are important. Every single individual is important in his or her own right. We are all unique individuals—with our own hopes, aspirations and fears. We are not like pieces of equipment to be used by a company and then discarded.

It is not, however, just those who read journals such as this one who matter. The bus driver, the factory worker, the shop assistant, the street sweepers and

council workers and the managing directors as well as their wives and husbands—they all matter. The people in the North of England matter too, as do those living on the top floor of decaying high-rise buildings in the Bronx or in Kings Cross in Sydney. The people of Eastern Europe matter as do those in Iraq, the Sudan and China. The fundamental importance of human beings is, I suggest, the crucial principle that business morality often neglects.

The theological way of expressing this is to say that we are all children of God—but you do not need to be a theologian or a believer in God to accept the principle that ‘people matter’. This is important, because if the Christian Church is to proclaim a business ethic it must be one that can be accepted by the whole business community. As a percentage of the population, very few people are church-goers and not many openly accept the existence of God, so a meaningful business ethic that can be widely applied must not be based on theological assumptions to which only a small minority will assent.

A new approach to business is needed which emphasizes productivity, efficiency, financial success *and* the tremendous importance of human individuals—not necessarily in that order. Directors and managers need to measure their success or failure with additional tools. The old financial yardsticks must remain, but new ones are called for as well.

Various measures have been proposed. Some have called for a ‘social audit’ to measure a company’s social responsibility—but who would carry this out? What criteria would be used? How do you balance the needs of the community, the interests of the shareholders and the realities of the market place? In the United States some are calling for new methods of accounting which would take social factors into account as well. Others are demanding that companies adopt a declaration of ethical principles—many, indeed, have already done so, but they tend to be very worthy general statements and do not really help much in resolving the real moral dilemmas which companies face.

All of these suggestions are worthy and all have merit, but they also share a common weakness. They are all trying to codify and legalize the moral realm—this is rather like trying to catch a sunbeam. It is easy enough to draw up rules, but the rules then become another set of laws to be circumvented and avoided. What is needed is not new rules, but new attitudes. Not more legislation, but a greater moral awareness by employers and employees—a greater sense of personal responsibility.

In the 1960s Joseph Fletcher pioneered the introduction of Situation Ethics and this was particularly influential in the Anglican Church. Situation ethics maintained that there are no absolute moral laws but that we should judge each situation on its merits—subject, in Christian terms, to the overriding principle of Christian love or *agape*. Situation ethicists maintain that moral commands are hypothetical, not categorical. They maintain that any moral rule will be based on an ‘if’ and that there are no absolute moral commands. Take a command like ‘Tell the truth’. Some may hold that this is an absolute moral command which should always be observed. The situation ethicist will admit some cases when it may not be right to tell the truth. Any moral rule, therefore,

is made subject to a higher court of appeal. In Fletcher's case this was the Christian command of love.

Situation ethics has been widely criticized, partly because it was regarded as too individualist and partly because of doubts about the centrality of agape in the New Testament. It has been all but rejected by modern writers on ethics. However I believe that situation ethics can and must be applied to the business arena—ethical problems within business *are* complex and much is going to depend on the particular situation. Instead of the overriding principle to which all ethical commands should be subjected being Christian love or agape, I want to suggest that the key principle, to which all business moral dilemmas should be subjected, is that *people matter*.

There are seldom going to be hard and fast rules to resolve difficult issues in business, but once we lose sight of this fundamental principle, once human beings become a means to the end of profit, once it becomes legitimate to sell goods that may harm people, once our treatment of the Third World or the environment is going to affect adversely the lives of people—then ethical considerations come into play, then the businessman or woman must pause and ask him or herself whether the proposed course of action is right.

More rules will only help businesses to avoid the moral dilemmas. It is so easy to comply with rules and then to come to the conclusion that you are being moral. Morality, however, goes beyond any set of rules and what is needed is greater moral sensitivity—not more and more rules.

If employees, managers and individual directors are to be encouraged to take greater personal responsibility for the decisions made by their company, they need to be protected from the negative consequences of doing this. The corporate atmosphere has to be such that the person who raises moral issues is not greeted with incredulity by his or her fellows. The corporate atmosphere has to encourage free and frank discussions about such issues. For a moral question to appear on the agenda of a directors' or managers' meeting should not be something that is surprising. At the same time the person with a conscience must accept that matters will seldom be black and white. Moral issues are real issues because they are complicated and there may be occasions when apparent moral norms may have to be broken—that is why situation ethics seems the right ethical approach. A refusal to accept absolute moral rules in business need not be a refusal to accept high moral standards.

If an employee feels that an immoral action is being taken, he should be able to draw this to the attention of senior management without being victimized. Here, at least, organizational changes can help—by accepting, for instance, that the personnel director has a function to receive and consider comments by employees on the ethical conduct of the business and to draw these to the attention of the Board of Directors. This need not be time-consuming, but if a company's staff see that the senior management are committed to a policy of ethical rectitude, this attitude is likely to permeate the company. Similarly if senior management, by their conduct, show a lack of interest in this area, it need surprise no one if others follow their example.

Trade unions also have a crucial function here. They need to recognize that they may be called on to take action to protect a 'whistle-blower'—even if he or she may be standing out against practices which bring material benefits to union members. If management has to accept that profit is not the only standard by which they should be measured, so union leaders must accept that the high ethical standards of the early union leaders, often derived from a strong Christian commitment, have a good deal to teach us today.

*Taking the moral high ground*

Taking business ethics seriously is not just a case of refraining from acting wrongly. It can also be a real and positive management philosophy designed to increase profits. Taking the moral high ground need not be costly in financial terms—it can reap real dividends.

In the United States environmental pressure groups have real power. In Washington, the brooding presence of the environmental lobby has earned it the name of 'The 500 pound gorilla'. Everywhere it is showing its power to affect legislation. The biggest pressure group, the National Wildlife Federation, has six million members and an annual budget of over \$100 million. The present director, Mr Jay Hair, took over in 1981. When the Exxon Valdez spilled oil in Alaska in 1989, he sent Congressmen pieces of rock that had been labelled 'clean' by Exxon. Now he wants to campaign on behalf of America's poor and on defence—the poor because their houses still include lead-based paints, and defence because defence considerations are held to override environmental issues.

British environmental lobbies are more muted, but they have found a friend in the European Court. Clever companies are trying to anticipate the next move by the Green lobby and to turn it into profits for themselves. Some companies, however, still see these pressure groups more as anti-business than anti-pollution—and they may well have a sound point. Many of these groups are not willing to work with industry and it is not surprising if business leaders therefore see them as enemies rather than potential allies.

Positive moves to use environmental issues for profit include the following examples:

The largest U.S. ice cream maker was approached by some individuals who asked if the company could not do something to help the rain forest. Forests are cut down as there are no uses for the produce of these forests, and more money can be obtained by farming the land even if only for a few years.

The directors investigated the possibilities and finally produced 'Fruits of the Forest Ice Cream'—ice cream flavoured with a whole variety of herbs gathered from the forest. The forest dwellers are paid for these herbs and suddenly they have an interest in safeguarding the forest as a resource.

When Body Shop was launched, it decided to not sell any products which had been tested on animals. This was not a popular policy and no one seemed interested in the issue. Body Shop, however, advertised the cost to animals of

cosmetic testing and emphasized the pureness and gentleness of their natural products. They gradually increased their market share and have not only had great success but have also forced competitors to follow their line.

It is easy, from these examples, to equate business morality with being kind to the environment, but this is only part of the equation. The moral responsibility of business people goes much further than this and, in particular, any company needs to give priority to the injunction that people matter. This is such a trite and obvious injunction—it is rather like applauding apple pie—no one will be found to disagree with it. However if people are really taken seriously, if a company must measure its conduct not only in financial terms but also in terms of how it treats employees, customers and suppliers, then this would have a radical effect on the way it does business. The problem is how this injunction should be given effect.

It is essential to improve efficiency. When Ford took over Jaguar they were horrified by some of the restrictive practices they found within the company. The workers were still using practices that had gone out in other British car plants ten years ago. Jaguar was—and still is—making huge losses and it needed investment running into hundreds of millions of pounds. In a time of economic difficulty, Ford had some hard decisions to make and in the face of a demand for a ten per cent wage increase it proved to be a tough bargainer. If Jaguar is to survive, production is going to have to be much increased, the company is going to have to move down market to compete with the smaller BMW range and productivity is going to have to be dramatically increased. The Ford managers are going to have to be hard-nosed and efficient. Turning Jaguar round, in spite of what Egan did in the 1980s, is going to be a tough and long job. However this does not mean that the new managers of Jaguar cannot have high moral standards—toughness and fairness are not opposed.

Any company may have to lay off staff during a recession. There may also be occasions when it is necessary to be 'economical with the truth'. Disputes may arise as to whether or not it is justified to sell a company's products in a particular market. Moral dilemmas *are* dilemmas and they are not easily resolved.

If, however, staff have to be paid off, they must be treated as human beings—not like a piece of redundant machinery that can simply be scrapped to save costs. It is not enough to offer 'generous severance terms'. Managers need to recognize the trauma involved to the individual's self-esteem and to his or her family in the face of redundancy. There is a moral responsibility to try to reduce the human cost the employee has to pay as much as possible. This can include explaining in detail why the decision is necessary, supporting the employee with advice and helping him or her to find a new job. In other words, each and every person within the company must be treated as if he or she is a person who matters.

The Japanese have been good at doing this—at least on one level. Indeed the Japanese corporate philosophy has been rather too much like a cocoon. There

has been a 'jobs for life' policy and the company becomes the centre of the individual's life. This trend can be taken too far, but the commitment to its employees by a company can reap real financial dividends. Employees are no longer afraid of innovation threatening their jobs, they feel part of the enterprise and identify closely with it. They can share in its successes and failures and recognize that their job is making a real contribution. Alas, this attitude is still too rare in some British, American and Australasian companies although strides are being made in the right direction.

Somehow, then, there needs to be a change in corporate philosophy so that individuals within and outside the business are treated much more seriously. They need to be seen as ends in themselves, not as means to an end. Companies need to ask themselves whether their employees and managers are treated like this. It is worth each of us asking ourselves how we are treated. If you are a priest, does the bishop treat you as someone who is important, someone who matters and in whom he is genuinely interested? If you are a Jesuit, just how seriously does your Provincial care about your future, how concerned is he about you as an individual, about personal development and the role you will play in the future? If you are a secretary, just how much are you appreciated as an individual?

The next step, of course, is to ask ourselves how we treat people who are responsible to us. Do we really care for them? Do we have a commitment to them? Do we say 'thank you' (a much under-used word) to acknowledge their efforts? How do we treat customers and suppliers? Do we care for those we deal with as individuals who matter—or do we rather stay aloof from them, ensuring that they do their job but not recognizing their humanity? Do we recognize our responsibility to the individuals in the community in which we live and work as well as to the wider world?

Bridge building needs to be done, bringing together the needs of the weak and the skills available within business. This is *not* an appeal for financial handouts, but an appeal for a new attitude of social responsibility which will aim for increased profits out of social commitment as well as a feeling of moral rectitude. Too often, a high moral standard is looked on as carrying a heavy financial cost tag—whereas it should be looked on as providing profit opportunities.

#### *The churches and moral leadership*

What is the function of the churches in relation to business ethics? At first sight the churches seem pretty irrelevant and, I have to say, I think that they are. However I am not at all sure that this is because of a failure of Christianity to be interested in these issues as much as to a failure of church leaders and others to give due weight to the problems. Bertrand Russell said: 'To this day Christians think an adulterer more wicked than a politician who takes bribes, although the latter probably does a thousand times as much harm'.

If you talk to Roman Catholic priests about the sort of sins to which individuals confess, you may well find that they centre on rules that have been



broken (for instance not going to Mass) and sexual sins. The pelvic region seems to have a fascination for Christians. Rarely do Christians take seriously their moral responsibilities in business, yet failure to live up to a moral vision in our business lives can have much worse effects on many more people than sexual misdemeanours.

The Old Testament idea of *justice* was much broader than just keeping rules. It was concerned with social justice—defending the weak and the marginalized. Whenever anyone did not do this they were held to be acting against Yahweh. The Old Testament prophets called people to a commitment to the weak—to widows, orphans and strangers.

Today many people do not believe in God, but they still look to the churches for a lead—and all too often they fail to find any lead given to them. What is needed is a clear and prophetic voice. When the Church *does* speak, it often tends to speak with a voice that sounds very much like socialism and it is not surprising that Conservative ministers and businessmen and women who have to live and work in the market-place find what is being said of little relevance.

Michael Campbell-Johnston published an article two years ago (in *The Month* of December 1988), just after he had taken over as Provincial of the British Jesuits, entitled: 'Can a Conservative be a Christian?' In this article he proposed three principles that any Christian Conservative or politician should adopt and I believe these are also relevant to business:

- (1) The conviction that religion *is* relevant to politics (and, I would add, to business) and can never be fully divorced from it.
- (2) Our whole purpose in life is to learn to love, to give ourselves to others, to break out of our individualistic shells and build society.
- (3) A preferential option for the poor is needed.

Michael Campbell-Johnston maintains that:

Unregulated economic development invariably leads to the emergence of a small, wealthy elite who can only maintain their position against the impoverished masses by the use of force and coercion.

It is clear what he is driving at, even though it seems to have something in common with a Marxist analysis, but it also seems to be undeniable that capitalism has been proved to be the most effective way of creating wealth. The problem is that the fruits of this wealth are not fairly distributed.

I am not a Conservative, but I think the Conservatives have done many things that were right in the last ten years—as well as some that were wrong. There has developed a lack of compassion and concern for the weak in our society, but this need not be wholly the fault of the Conservatives.

Efficient businesses are essential for prosperity—having seen the appalling inefficiencies of companies in Eastern Europe no one can seriously favour inefficient industry. Even one of the jewels in East Germany's industrial crown,

the makers of Praktica cameras, has had to be closed because they were so hopelessly inefficient. There simply was no way at all that their products could have been made competitive. If British companies are not competitive they will go out of business and British entry into the Exchange Rate Mechanism simply reinforces the need for British industry to keep costs down and to meet the standards of our European rivals. The chill winds of Eastern competition are already blowing through factories in the United States and the consequences may be disastrous. Any church leaders that do not recognize these realities are not living in the real world.

I want to suggest that we need capitalism, but we need companies run by people who have a real moral conscience. In my view, the Church has singularly failed to challenge people in this area and this is a very real failure of leadership and imagination by religious leaders and ethically concerned people in business. Of course, people do not like being challenged—but the challenge I have in mind is not to make people feel guilty about success but to get them to commit their companies to bringing success to the wider community.

#### *The way forward*

My suggestion for way forward is not to introduce more rules—it is to work towards a change in the moral climate. In this area, a partnership is needed between trade unions, management and outside bodies such as the Church. People in business have to be brought to see their business activities in a new way. They have to be brought to see their responsibilities to each other and to the wider community. They have to accept moral responsibility for their actions and to challenge the existing assumptions of our society. They have to recognize that financial criteria alone are no longer enough.

In particular, Christian leaders need to become much more familiar with the business environment. The Anglican and Methodist Churches have pioneered industrial chaplaincies in almost all British dioceses—teams of clergy and lay people who are dedicated to working in the industrial and commercial environment and whose daily reading includes the *Financial Times*. Most other priests and church workers tend to adopt a negative attitude to business and to either show a lack of interest in the business environment or to give a faint air of disapproval at money-making activities. This, however, is unconstructive and a denial of the incarnational reality of Christianity. The Church should be engaged in the world, not removed from it. The sacred and the secular division of the past should be discarded. The Church should call individuals to lead consecrated lives—in successful business firms—which contribute to the wealth and well-being of the wider community and the wider world.

Greater awareness of the issues is required within companies. Management training programmes need to run seminars on business ethics; conferences on business ethics need to become a feature of business life, and above all changes in attitudes are required round the boardroom table and at shop-floor level. However the churches must make changes as well. The issue of business morality should be included in clergy training programmes; sermons should

more frequently deal with the realities of commercial life; bishops should be willing to speak out, having first learnt a bit about the business world, and to give a lead, whilst parishes should be willing to arrange discussion sessions with local businessmen and women. In short, business ethics should form a much more prominent part of the theological scene. The fields are ripe for the harvest, but the reapers need to know what they are about before they go to work.

*Peter Vardy*