

Which ethical theory
is most commonly
used in modern
business?



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This Essay has been written with the task of answering the following question “ Which ethical theory do you think is most commonly used in modern business”? It will offer a balanced view of the ethical theories of consequence and duty while discussing the link between these theories and business decision making.

Decisions on business can be fraught with ethical or moral dilemmas, for example, you strike a deal with a third party who is a new business and dependant on you as their first and only contract. When they place their first invoice your financial director tells you that we could settle the invoice but it would be better if we could delay it for a week or two. The Third-party company has employed extra staff to fulfil your agreement and deliver the required service. You know that not paying the invoice could potentially cause reputational damage to the young company and will undoubtedly anger their employees, however, your FD has also told you that the small firm is already operating outside of its means and that the quality of its service has resulted in many complaints from our own customers, furthermore, we may have to pay out some compensation as a result. What do you do? Do you tell the FD no as you have an agreement or do you tell the third party the payment will be late, knowing that your company is able to pay? There are of course various ways of looking at this problem. The argument here seems to be the difference between good and wrong.

The argument of good and wrong has been debated for a long time and has led philosophers to create theories to provide an answer. Two of which are Immanuel Kant (1724-1804) and Jeremy Bentham (1748-1832). Kant and Bentham had different theories on ethical decisions, while Kant developed <https://assignbuster.com/which-ethical-theory-is-most-commonly-used-in-modern-business/>

Deontology which focuses on the right or wrong of an action. Some believe that the driving force behind our actions is nothing more than the seeking of pleasure. Against this belief, Kant argues that if pleasure were the only thing that motivated our actions, then we would only have the instinct to guide us, as instinct suffices for obtaining pleasure (such as animals). (Kant and Paton, 2009) Kant contends that we do moral acts because the act itself is good and not because of any consequence. For example we should not kill another human being not because I might go to jail as a result but because it is morally wrong to kill someone even if that person had, and would continue to kill others. This example shows how an action that we take no pleasure in is still good and right, the act is good in itself. In Deontology Kant is establishing that we have the ability to reason and not act on instinct, we have a duty to do what is right and to resist giving into our desires.

At the start of his book , Introduction to the Principles of Morals and Legislation , Jeremy Bentham writes,

“ Nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do. On the one hand, the standard of right and wrong, on the other the chain of causes and effects, are fastened to their throne. They govern us in all we do, in all we say, in all we think: every effort we can make to throw off our subjection, will serve but to demonstrate and confirm it”. (Bentham, 1789, ch. 1)

Bentham demonstrates the basics of Utilitarianism, the role of pain and pleasure and by discussing cause and effect he takes us into the realm of

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consequence. Bentham and later John Stuart Mill (1806-1873) both believe strongly in the “ Greatest Happiness Principle”

“ The creed which accepts as the foundation of morals, Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness”. John Stuart Mill, (1863), Ch. 2

Bentham and Mill agree that pleasure and pain oversee how humans act and how they should act. Through the principle of Utilitarianism, people should only do acts that will bring the greatest happiness for the greatest number of other people. In another word of the consequence of a person’s action brings happiness (pleasure) to the many (community) then that action is justified and therefore ethical. An example of this theory can be found by discussing drunk drivers. We all know that it is both illegal and unsafe to drive if you are intoxicated. If an individual has driven previously while under the influence of alcohol but never had an accident, does that mean it is safe for him to do so? The decision to ban drink driving is one that benefits the community as a whole, it also reduces the strain on the NHS by reducing road accidents. This contributes directly to the greatest happiness of the public.

The example that is given earlier in this essay offers an opportunity to test both of these theories when there is a business decision to be made. if the theory of Deontology is applied to this issue then what would the final decisions be? Kant tells us that we have a duty to do the right thing, a moral obligation to the new third party company because both parties made an agreement, the company that you work for also knew it was a small

enterprise, that finances were tight and we are their one and only client.

When the FD asks can you delay payment, this probably will cause distress to the Third party as they have increased the wage bill to bring employees to satisfying the service agreement. The company that you work for does have the money to pay but do not want to take a risk that they may have to pay compensation to dissatisfied customers on top of settling the invoice. If the individual in this example used deontology theory then he would be duty-bound to tell the FD that a contractual agreement has been made and that the invoice should be paid. The company has a responsibility to help smaller business and it is the right thing to do regardless of any feelings or potential consequences. Alternatively, If Utilitarianism is applied to the same example and bring consequence to the argument then the aspects of the greater good would tell us that although withholding the invoice may cause issues for the third party, paying them now could mean a financial risk to their own company. Customer complaints are up as a result of this new service and there is a potential that compensation would have to be paid. This could create a perfect financial storm and it would seem prudent to hold back on payment to mitigate the risk. If this occurs the company's own employees may suffer as well as its customers. Mitigating the risk by holding back payment will benefit more people than paying it and the principle of the greater good for the greatest amount of people is validated.

If this essay is to succeed in a fair and balanced argument it must look at the positive and negative aspects of both theories. According to the utilitarian principle, the correct action will produce the greatest amount of good for the greatest amount of people. Utilitarianism focuses on the majority regardless of socio-economic status. One could claim that it is ethically correct in <https://assignbuster.com/which-ethical-theory-is-most-commonly-used-in-modern-business/>

demolishing some shanties to pave the way for a beautification project specifically for a single visiting leader. Similarly driving away native tribes to construct dams. While utilitarianism sees these as benefits deontology sees these as unfair and unjust because they violate the basic rights of others.

Deontology is a non-consequentialist moral theory. While consequentialism (utilitarianism) believe the ends always justify the means, deontologists assert that the rightness of an action is not simply dependent on maximizing the good even if that action goes against what is ethically acceptable. For example, imagine a situation four critical conditions patients in a hospital who each need a different organ to survive. A healthy man comes into the hospital for a check-up. According to Utilitarianism, the doctor should take that man's organs to save the others. Thus maximizing the good. However, to most that are ethically wrong, and deontology contests this way of thinking by contending that it is immoral to kill an innocent despite the fact of maximizing the good. So, utilitarianism does not respect rights and is too permissive. The end in utilitarianism is destructive because it disregards all morals. It requires great sacrifice, even death as shown above to maximize the good.

Since utilitarianism is a consequentialist theory, which means that it stipulates morality from the outcome of an action. This consequentialism is then combined with hedonism which posits happiness or pleasure as the ultimate worthwhile pursuit. Therefore since only the consequences of an action matter and only happiness matters. that action is the one that results in the greatest sum of happiness is the moral one. slavery is a utilitarianism outcome. Slavery was good for the majority of the people since they were

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whites and owned slaves, it, however, was not so good for the slaves or the blacks at this time period. It violated their human rights but because it resulted in the most happiness it was a moral cause and justified. Under deontology, this would not be the case. Through researching this essay it has become evident that this the argument between these two theories is one that has been debated for decades and will rage on for years to come. For the purposes of this essay and the question posed which was “ Which ethical theory do you think is most commonly used in modern business”

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