

The business ethics emphasis: a misallocation of resources assignment

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The Ethics Emphasis: A Misallocation of Business Resources “ There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. ” Milton Friedman, a Nobel-Prize winning economist and strong advocate of free markets, summed up his view on ethics and corporate responsibility with those few sentences. I agree with Dr. Friedman wholeheartedly and for the most part, support the notion that “ Companies should not spend time and money on business ethics. ” What is a corporation? According to Webster’s, a corporation is “ a body formed and authorized by law to act as a single person although constituted by one or more persons and legally endowed with various rights and duties including the capacity of succession. “[i] Within this definition lies the problem: the duties and rights of a corporation are loosely defined, and up to the interpretation of individuals.

The word corporation is often used interchangeably with “ company,” which is defined as: “ an association of persons for carrying on a commercial or industrial enterprise. “[ii] The word “ business,” as a noun, is also used to describe the concept of a company/corporation, and can be defined as: “ dealings or transactions especially of an economic nature. “[iii] With these several definitions, we can start to deduce what the core duties and responsibilities of corporations are: They must be economic and commercial in nature.

Because economic dealings can usually be simplified into increasing, maintaining a certain amount of, or losing money, we can assume that anyone connected with economic and commercial dealings would prefer to above all else make money, assuming true the concept of rational self interest. Simply, nobody in business gets into business to lose money or to maintain the same amount. Similarly, corporations are not formed to lose or maintain monies; they are formed to make money and generate wealth for investors. As such, all core duties and rights of a corporation must be limited to the scope of making money. Any other use of corporate resources is a misdirection of those resources; incurring the opportunity cost of possible forgone revenues or increased expenses can reduce returns to investors, whom expect a corporation's leadership to do all that they legally can to increase returns on their investments. To do anything else is a breach of their trust, and therefore in my opinion, unethical. What are the components of the new trend of business ethics? They pertain chiefly to two issues: social value/impact, and environmental value/impact.

A new term, "Corporate Social Responsibility," has emerged in recent years to describe the former. Kim Kercher, in the Corporate Governance E-Journal of Bond University, explains the meaning of the term as: "Corporate Social Responsibility (CSR) is associated with the conduct of corporations and in particular whether corporations owe a duty to stakeholders other than shareholders. "[iv] In this discussion, society as a whole represents the non-shareholder stakeholders. Do corporations owe society anything at all? As we explored earlier, the interests of business are financial and commercial.

Corporations undertake certain activities in order to generate return for the investors. This is the chief duty of corporations, but in doing this they serve the best interests of society: produce goods which society will value. This is not an inherent duty per se, but an action which is necessary to be achieved when corporations expect citizens to give them their money. Businesses provide us with what we want, and we give them what they want. Companies do not do this out of the collective kindness of their hearts, but because it provides the means to their end: make money.

In achieving their primary duty of making money, businesses also provide us with employment. Again, this is not why corporations exist, to merely keep us gainfully employed, but it part of how they achieve their goals. Some may argue that layoffs, off-shoring, and outsourcing are unethical, because of the harm they do to individuals...but, considering the primary ethical concern of returns to investors, how ethical is it to bankrupt a company with a “ no layoff” policy, or to drive the price goods out of consumers’ reach by maintaining costly domestic production and support facilities?

Both investors and society will be harmed in these instances. The interests of the two are intertwined. I introduce Wal-Mart. This corporation has been criticized for supposedly destroying the culture of small towns and running small businesses into the ground. True, this cannot be neglected. However, all things involve a trade-off. Money flows into the community for the construction of a Wal-Mart store. Hundreds of people gain employment from Wal-Mart, and from the restaurants and other retailers which will soon emerge in its vicinity.

Consumers now have increased purchasing power due to Wal-Mart's bar-none' lower prices. Yes, some people are hurt in the process. Communities may be rearranged. However, nothing in life is immune from the forces of change, and it's foolish of us to think that our lives and surroundings can not and will not change. Businesses are obliged to abide by the laws of the land and conduct themselves without fraud or deceit. Some may argue that this presents a responsibility of business to society. It is a moot point. The primary stakeholders, the investors, will suffer if businesses conduct themselves unlawfully.

True, acute unlawful acts can go undetected, but a policy of wanton disregard for the law will eventually land a corporation in trouble. Remember Enron? Enron's fraudulent accounting practices led to the end of the company and criminal charges. Shareholders and employees were adversely affected. To prevent this, a different course of action should have been pursued. However, a " how can we best fulfill our duties to society" mentality would not be necessary had they maintained the " how can we serve the shareholders? " mentality.

In other words, no special consideration of " is this good for society" should have been made. Following the law, which is the duty of all people in all capacities (save extreme circumstances) and keeping in mind the needs of the shareholders should have been enough to prevent the Enron disaster. Some people may ask, what is the harm in developing a code of ethics and ensuring employees all know it? Simple enough, right? Let's be realistic here, most people whom have worked in the professional or government realm

have at some point been given a packet of ethics-related materials, been told to read it, and soon found it was a total waste of their time. William Miller, in the International Business Ethics Review explains it well: “ More and more organizations, particularly multinational corporations, have gone through the process of developing codes of conduct or codes of ethics over the past ten years...By dropping a legal-based code on the desks of employees, organizations likely do little more than waste precious time and resources. “[v] My argument against the importance of business ethics is not an argument for the disregard of the rule of law.

I think that common sense, good financial decision making keeping the needs of the shareholders foremost are effective and simple policies to follow. Instead of wasting time and money on specialized training and the emphasis of ethics, managers should be advised to follow those simple principles I just listened. When considering an illegal act, one should ask themselves, “ If I am caught, how will this affect the shareholders? ” By keeping the interests of the shareholders foremost in their minds, managers will not often go wrong. Some people may ask, what is the harm in developing a code of ethics and ensuring employees all know it?

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developing codes of conduct or codes of ethics over the past ten years...By dropping a legal-based code on the desks of employees, organizations likely do little more than waste precious time and resources. The second aspect of the new emphasis of business ethics is that of “ sustainability,” which is defined as “ meets the needs of the present without compromising the ability of future generations to meet their own needs. “[vi] This definition is taken from the Brundtland Commission and its 1987 report to the General Assembly of the United Nations. There are basically two schools of thought on this matter: businesses should be forced to develop ecologically sound practices and comply with the increased emphasis on sustainability; businesses will evolve into more ecologically sound organizations as society evolves and demands (and is willing to pay) for ecologically sound products. I cannot substantiate this statement with anything other than my own observations. In my opinion, these two arguments can basically be simplified into: let government solve it or let business solve it. I believe that governmental agencies should be responsible for enforcing domestic environmental policies.

Domestic federal agencies must ensure that businesses comply with the laws of that country. Beyond that, I am skeptical of further government involvement. If the government is to play a role in the establishment and enforcement of international sustainability policies, which government will it be? Fairness dictates that it must be the United Nations, but common sense dictates that it must not be the United Nations. Given the United Nations’ beaurocratic and inefficient structure, I doubt that it (as a body) can effectively and efficiently administer such a vast undertaking.

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Moreover, I believe it is morally wrong for the UN to dictate what goes on in within the borders of sovereign nations. I am not alone in my opposition to a body comprised of foreign nationals deciding how things will be done in my country. Each country's domestic sustainability policies must reflect the values of that society, given the government of that country reflects the values of the people. Our own EPA standards are evolving in line with America's increased adherence to the principles of sustainability.

Unfortunately, countries such as China and other non-representative governments, as well as poverty-stricken nations, will lag behind the developed and free nations for quite some time. However, nations, peoples, and governments must evolve at their own pace, and it is wrong to force progress on them. Nations can and do reach agreements between each other, such as offering assistance in developing nuclear power facilities (as the U. S. and India have recently done) and the development of ecologically friendly technologies. Nations also agree upon emissions standards and things of that nature. These agreements and deals must remain in the hands of the voluntarily participating nations, free from the enforcement of an international arbiter. Business reflects the needs and wants of society, and it is becoming increasingly evident in products being introduced to the market. In America, Cadillac has recently developed a hybrid version of its Escalade SUV, which was once considered to be extremely inefficient regarding fuel consumption. The EPA didn't make GM do this, neither did the UN. Executives noticed a trend and developed a product to support that trend.

Boeing is now producing passenger airplanes (The Dreamliner) which are 20% more fuel efficient than other large passenger aircraft, by using lightweight composite materials. Clothing is being made from recycled trash bags. Society is demanding ecologically sustainable products and businesses, without governmental coercion, are delivering. This is ultimately a product of corporate managers following their only true ethical duty, which is to the shareholders. In conclusion, it is my view that the increased emphasis on business ethics is a waste of time and resources.

It is probably in reaction to well-publicized corporate scandals, which could make the ethics craze a fad. However, this is up to businesses. If they buy in and show the public that they're willing to play along with the ethics craze, the increased emphasis on ethics could become a permanent thing. If businesses will stick to their core responsibilities and ignore the ethics craze, it may in time blow over, and corporations can continue to focus on their one and only true ethical responsibility: making money for the shareholders.

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