

Ethical parameters in business

[Business](#), [Management](#)



The manner in which a business operates and the decisions it makes, reflects its culture, values, principles and identity. Today, ethics is highly influential to the success or failure of businesses. To be classified as ethical, businesses must go beyond obeying the law and take extra measures to preserve competitive advantage. To this day, many businesses choose to not engage in ethical behaviour as it has long been believed that the only social responsibilities of a business are to create profits and obey laws. This theory however, is less relevant to contemporary business environments as consumers are becoming more ethically-minded and conscious.

Businesses who fail to operate within ethical parameters more often than not, receive social backlash, monetary and legal consequences. Therefore, managers should work towards making and achieving goals that go beyond making profit. Over the years there have been countless cases of large corporations such as Ford Motor Company (Ford), committing unethical business acts. Ford was founded by Henry Ford in Detroit, Michigan in 1903. Since its founding, Ford has worked its way to becoming a leader of the automotive manufacturing industry (Ford Motor Company, 2010).

Like many other large corporations, Ford's success has not come without scandals. Ethical hiccups has put Ford in the limelight for all the wrong reasons. One of Ford's most well-known scandals is that of the Ford Pinto recall during 1970-1980 which caused the death and injury of more than 20 victims. The tragedy for the Ford Pinto, was the first of many. In early 2018, Ford Australia was ordered to pay \$10 million in penalties by the Australian Federal Court for having “ engaged in unconscionable conduct in the way it

dealt with complaints about PowerShift transmission (PST) cars” (Court orders Ford to pay \$10 million penalty for unconscionable conduct, 2018).

The penalty is one of the largest given by the Australian Consumer Law thus, reflecting the severity of Ford’s wrongdoing. Owners of the vehicles made countless complaints to Ford but were told the malfunction was due to their driving and not due to a manufacturing error. Although having been made aware of its vehicle malfunctions via customer complaints, Ford still failed to respond to the issue. They refused to provide refunds or replacement vehicles with the exception of the consumer paying a significant fee. The lack of moral action portrays Ford as a profit minded corporation with very little regard for customer satisfaction. Ford proudly market themselves on being reliable and safe however, incidents contradict these claims and can be detrimental to future prosperity.

As stated by businessman and author, Dee Hock, “ An organization, no matter how well designed, is only as good as the people who live and work in it.” In a world full of distrust, businesses can stand out to consumers by being what most businesses struggle to be; ethical. Business ethics outlines the rules and standards which guide choices and behaviours. As there is no one set of ethics, each business is open to abiding by whichever ethical principles are valued by its executives. However, this autonomy is exploited by many businesses such as Ford. It is common for businesses to have one goal in mind; profit. For several years many have argued alongside Milton Friedman in believing that businesses, unlike an individual, cannot have responsibility.

Instead, he believes they have two social duties; to maximise profits and obey laws. In agreement with Friedman is Bowie's moral minimum which believes that managers have a duty to act in the interest of shareholders. According to Bowie, businesses have a duty to cause no harm but have no obligation to prevent harm or do good. Therefore, it can be argued that Ford's decision to mislead customers is justified as they had no obligation to prevent harm. However, Bowie's theory is criticised for having weak moral standards and a blurred line when distinguishing between when it is necessary to prevent harm and do good. Because of this, Friedman and Bowie's theories have become less applicable in today's globalised societies.

Instead, Kantian and Utilitarian ethics are argued to be more appropriate and in line with society's expectations. Kantian ethics formulates decisions and behaviours according to the duties which must be fulfilled, not about creating the greatest amount of happiness or taking into consideration the consequences of actions. Kant's theory is argued to provide the most rational approach in dealing with problems at a global level (Ramthing, 2013). Over time, legislations have been put in place to guide businesses in participating in ethical behaviour.

Organisations such as the Australian Competition and Consumer Commission enforce consumer protection legislations and impose fines on businesses such as Ford who have breached laws. Therefore, in accordance to modern day Kantian ethics, businesses have a duty to consider not only their own rights but the rights of other stakeholders such as consumers. In agreement with Kant, Richard E. Freeman, argues that elements of the stakeholder

theory are embedded within Kantian ethics. He argues that businesses are a legal body with duty to abide by laws and protect narrow stakeholders – those to which businesses depend its survival on (customers, suppliers and employees).

Secondly, he argues that it is a manager's role to operate the business with stakeholder interests in mind. Ford undoubtedly failed to fulfil their duty to consumers by refusing to own up to their mistakes and putting the blame on their own customers. This sort of behaviour is undoubtedly out of line and unacceptable. However, critics of Freeman believe that he blurs the line between what a business should and ought to do. As with Freeman, there are many criticisms of Kant. German philosopher Arthur Schopenhauer argues that Kantian ethics are too abstract and represent idealised situations of a perfect world (Kantian Ethics Criticisms, n. d). Instead, they should represent practical modern-day business environments.

In a globalised world, managers are faced with a lot of complex issues when trying to make profit, so Ford's decision to mistreat its customers may have been the most profitable outcome of the situation. Furthermore, utilitarian philosopher John S. Mill argues that Kant does not realise that “ moral laws can be justified by a moral intuition based on utilitarian principles” (Kantian Ethics Criticisms, n. d). Instead, he believes that utilitarianism can better explain the difference between right and wrong. Bentham's utilitarian ethics are consequentialist in nature and emphasise the importance of maximising utility for the greatest number. If Ford were to use a utilitarian approach, it would have considered all the possible consequences of their decisions. After

weighing up the potential loss of funds outweighed their customers dissatisfaction, Ford chose profits over customer satisfaction. Instead, they should have chosen to produce the most utility.

Utilitarianism's focus on producing the greatest good of the greatest number of people encourages global businesses to take on global responsibility. As the world becomes more globalised, it is vital for business to have an objective view and not only think about pleasing executives and investors but also consider the environment, employees, consumers, future generations etc. Conversely, is it always right to sacrifice the few for the good of the many? Those who object utilitarianism argue that the greatest good for the greatest number may not always create the greatest amount of collective happiness. Utilitarianism aims to maximise aggregate utility for all individuals, in all situations and in all times. However, there is a question of whether the morality of acts can change overtime. As society and perceptions are constantly changing, it can be argued that a decision or act can be justified if it was or is believed to in future, be the norm and acceptable.

Ford's unethical decisions may be seen as unacceptable today, but in future may be perceived differently. Due to globalisation, it is inevitable that the choices businesses make will affect a vast amount of people. Therefore, Friedman and Bowie's view that businesses only have a responsibility to make profit and abide by laws is intolerable. Businesses must take an inclusive approach towards operating. Managers have a growing duty to

make choices that will benefit all parties involved in business operations and be held accountable if they fail to do so, as seen with Ford.

Despite countless scandals, Ford has maintained its position as being one of the ‘big three’ automakers in the world and has been titled as one of the world’s most ethical companies for numerous years by the Ethisphere Institute (Ford Media Center, n. d.). Although Ford claims its main priority is customers and their safety (Ford Financial Report 2017/18), their inability to deal with customers and negligence towards repairing damages says otherwise. To maintain its top position in the industry and avoid future fines, Ford Australia should be more cautious in how they make decisions within the market. By incorporating a Kantian or Utilitarian approach to their operations and decision-making, Ford can stay out of legal and societal trouble in future.