

Human values and the business of business

When ethics and values are raised in the business context, someone is bound to say, "The only business of business is to make a profit". This statement is meant to kill all discussion about what takes precedence – ethics or profit. But is this statement as unanswerable as its proponents make out?

An industrial relations parallel

Under industrial relations laws in Australia before the Work Choices changes in 2006, awards between trade unions and employers were determined in settlement of a "dispute". It was necessary to create a "dispute" before the Industrial Relations Commission could perform its role.

Accordingly, the trade union would present the employer with an ambit claim, something that was sure to be refused. For example, the union might demand that its members work only ten hours a week and be paid \$100,000 per year. No one believed the ambit claim, and the union did not seriously expect its claim to be accepted. It was a ritual act, and everyone knew it. It served to get the parties into the Industrial Relations Commission.

Business is solely for profit?

It is strange that the claim that "business is solely for profit" is not treated in the same way as the unions' ambit award claim. The claim has been with us since Milton Friedman wrote an article in the *New York Times* in 1970. Friedman argued that companies had no responsibility to society other than to generate profits. He said that that was why laws had been created to allow companies to be set up.

According to Friedman, companies should not give any of their profits away to social causes or spend money on anything that reduced their profits. Spending money on employee welfare initiatives or anything other than "essential" safety measures would be precluded. The only social responsibility of companies was to obey the law of the land.

Naturally, many business people hope that this claim is accepted. If the only constraint on companies is the avoidance of criminal activities, then business is indeed free to do virtually what it likes in pursuit of profit.

Profit as an ambit claim

However, there is something that should make us suspect that the "business is solely for profit" claim is just that, a claim. The picture of the law that is summoned up by the claim is that the law is a static instrument, and one might assume that its only purpose is to prevent crime. And crime is pictured as personal acts like stealing and killing.

The reality is that the law is dynamic, and the main reason for that is that the behaviour of people and organisations is dynamic. People, and organisations, can find new ways of being deceptive, cheating and mistreating others. Consumer protection laws are an excellent example of laws that were introduced to address the deceitfulness of some people in business.

Such laws tell us that when someone says "business is solely for profit", they are making an ambit claim, not affirming a truth. The law sits alongside of business to monitor its actions and prevent it from abusing people – and the environment. And the law, even though it is a crude instrument for fostering ethical behaviour, nevertheless seeks to play its part to restrain the damage that greedy people can cause.

We should remember, too, that business can also be a political lobby group, and the shape of some laws may be inordinately influenced by their power. In the Friedman scenario, this fact is never mentioned. We hear this influence when business constantly complains that business is "over-regulated".

Why is the “business is solely for profit” claim accepted?

Despite all the arguments for regulating the activities of business, the “business is solely for profit” claim still carries a great deal of influence. Why is this? Usually it is because it is accompanied by an argument based on fear – if business did not make a profit, then it would fail, and our society would fall apart, especially given that, nowadays, a great deal of social infrastructure is in private hands.

It is a slippery move from the first statement to this second one. We can certainly accept that a business firm needs to make a profit, otherwise it would not survive. That much seems self-evident. The problem is that the champions of the “business is solely for profit” claim tie it to this second statement as if it were the same thing.

The pity of the situation is our weakness in seeing this claim for what it is and countering it. Why is this?

Suppose we had to describe the relationship between human beings and economics using two circles. How would we place them? Are they two separate circles? No – obviously there is an inter-relationship between humans and economics.

Do they overlap? That is one way of seeing it. However, if this were the case it would mean that most of economics operates outside of the influence of people, with a life of its own. Some people would want to argue that this is how it really is.

The invisible hand of economics

For example, there is a statement by the 18th century scholar, Adam Smith, that is regularly brought into service by economists. It says that there is an “invisible hand” that somehow guides all the actions taken in individual self-interest and generates the best economic outcome for all.

The economic perspective proceeds on the assumption that there is this invisible dynamic at work outside of people, so it would suit to represent the relationship between people and economics as two overlapping circles.

However, we should observe that there is a blind act of faith being committed here, because we are also accepting the blithe assumption that the current situation (at all times) is the “best economic outcome for all”. We might have some doubts about that.

For example, what if we could see employees who were being exploited so that a business owner’s profits could be enlarged? This brings our attention back to the Work Choices changes in Australian industrial relations laws. One of the key functions of law is to moderate the conduct of people and organisations in the market place – in this case, to prevent the exploitation of workers.

The Work Choices law asserts that its purpose is to facilitate the economy. It thereby disavows its responsibility for moderating the conduct of people and organisations in the market place. It bows to the notion taken from Adam Smith, that the economy by itself produces ideal outcomes.

Humans swallowed by economics

If economics (business) felt that it operated according to its own laws, that would be unsettling enough. The reality may be worse than that. What if the circle representing humans was entirely inside the economics circle, so that humans were just a subset of economics?

The pressures in our society push us towards this version of reality. Stock market share prices, exchange rates, interest rates and other economic indicators are put before us daily, creating a sense of urgency about the economic agenda of society. Economics becomes of overriding importance.

On the consumer side, advertising on a massive scale generates continual demand for goods and services. Marketing people are quite clear that their task is to create demand, not to satisfy need.

The constant barrage serves to place economics at the forefront of people’s lives. The circle for humans diminishes and lies entirely inside the circle for economics. This is not to say that business activity, stock markets and advertising are inherently bad. These are all legitimate activities of humans. It is the fact that economics comes to precede humans that is the issue.

What if humans came first?

Suppose we recognise that humans come before economics. This is to say that people matter in themselves, not simply because they serve some purpose in the economic system. When someone argues that the sole aim of business is to make profits, then people have to take second place. If there is a conflict – for example, the interests of some people are seen to stand in the way of profit, then the people must lose, and that is alright.

When we talk about ethics and values, this is to say that the well-being of people comes before profits. It does not mean that companies have to give up profits. What it does mean is that companies should not pursue profits in such a way that people are harmed.

It is about *how* companies pursue profits that matters. If people (or society or the environment) are being harmed, then companies must find another way, a way that respects the inherent value of people.

When the pre-eminence of people is respected, then economics is in its proper place. And profits themselves only exist to serve people. We can argue about the niceties and complexities of that statement, but a healthy society is possible only when the correct balance exists between people and economics.

People, business and values

The healthy relationship between economics and humans, then, is with economics as the small circle inside the big circle representing humans. Economics is a subset of people. Once we see this, we can make room for the other aspects of human life, including culture, recreation, family and other relationships – all the things that make life worthwhile.

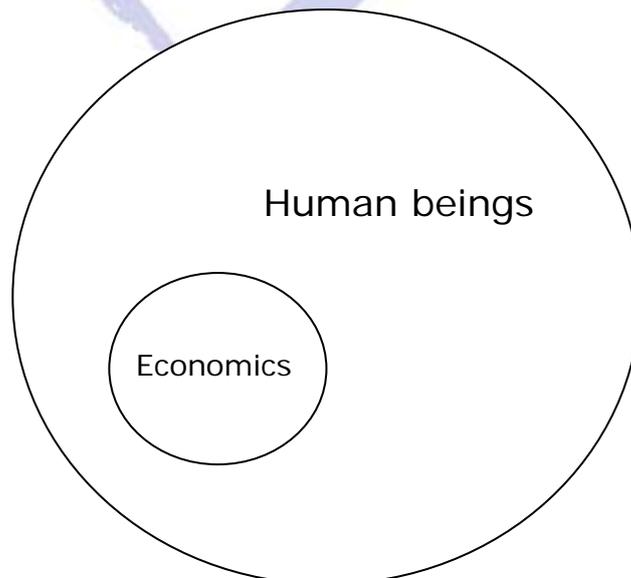
When people are seen as coming before economics, then economics becomes an instrument that serves humans. Hence, we will apply human values to our conduct of business. Values arise as essential aspects of human life – they are all the things that we find worthwhile in themselves. Values regulate our relationships with each other, in business just as in our personal lives.

When business is given precedence, there is no room for human values. The only rule is “what we can get away with”. When you add to that the power of large businesses to influence the law-making process, the result is an even greater sense of lawlessness in our environments.

The beginning of ethics is this one assertion – we are humans before we are economic operating units. Albert Schweitzer had a simple but profound definition of ethics, one that reflects the idea of putting people first:

“In a general sense, ethics is the name we give to our concern for good behaviour. We feel an obligation to consider not only our own personal well-being, but also that of others, society as a whole and the natural world.”

People hold fears about their survival (economic or otherwise), and are therefore susceptible to arguments that business has to be allowed to do what it wants. It is best to quell this fear, and learn that economics can be conducted successfully in an ethical way, in a way that respects our common humanity. Business has to be able to pass that test. It is people that make business and people make the rules for business.



What's happening?

Events

In June, Glenn gave a presentation at the national conference of the Australian Association of Professional and Applied Ethics. The presentation was on the concepts of human values as an accessible approach to talking about ethics in organisations. A copy of the paper is available on the website. See the link below.

Glenn also facilitated a session for the New South Wales division of the Australian Institute of Training and Development (Glenn is national president of the AITD). The session was on the ethical dimensions of the role of trainer, although it also addressed broader questions about how to work and do business with integrity in the current business environment. A copy of the slides from this session is available on the website.

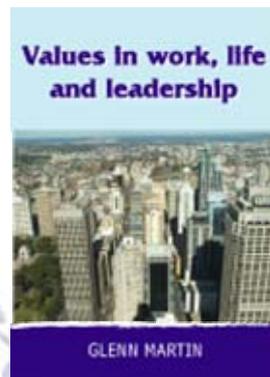
Articles for Workplace Info

Glenn has been writing a number of articles for the Australian Business Limited website, Workplace Info. The articles address the major issues faced by human resource managers, including performance management, measuring the impact of HR initiatives, and how ethical employers can deal with industrial relations issues under the Work Choices legislation.

Book

The book has been sent to a number of publishers but has not been accepted as yet for publication. It has undergone a number of changes in title. The title is now: "Values in Work, Life and Leadership". This still reflects the content of the book but may be more amenable to a wide audience.

The self-publishing option is under serious consideration. If so, the book will be made available through the website – soon. Watch out for it. The proposed cover is below.



Website

Changes are being considered for the website to make more material available and to offer material for sale. This will happen in the next couple of months.

Feedback

Let Glenn know what you think of the newsletter and the website. It's all part of the endeavour to bring an ethical perspective to business, one that enables people to work with integrity and organisations to operate with high principles.

A new format is being considered for the newsletter. Both format and frequency are under review.

TouchWood Ethics is operated by Glenn Martin and based in Sydney, Australia. Glenn is available as a speaker, trainer and consultant on ethical issues in the management of organisations. Contact Glenn at:

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