A HISTORY OF BUSINESS ETHICS

Richard T. de George

The history of "business ethics" depends on how one defines it. Although the term is used in several senses and varies somewhat for different countries, its current use originated in the United States and became widespread in the 1970s. The history of business ethics in the United States can be viewed as the intersection of three intertwined strands. Each of these in turn can be divided into at least two related branches. The first strand, which I shall call the ethics-in-business strand, is the long tradition of applying ethical norms to business, just as it has been applied to other areas of social and personal life. This strand can be divided further into the secular and the religious branches. The second strand is the development of an academic field, which has been called business ethics. It also has two main branches, one being the philosophical business-ethics branch, which is normative and critical, and the other the social-scientific branch, which is primarily descriptive and empirical. The third strand is the adoption of ethics or at least the trappings of ethics in businesses. This again subdivides into the integration of ethics into business and business practices on the one hand and the commitment to corporate social responsibility on the other. Business ethics was introduced into Europe and Japan in the 1980s although the term did not translate easily, and the development in each country varied from that in the United States because of socio-political-economic differences. It then spread in a variety of ways to other parts of the world, each time with a different local emphasis and history. On the world-wide level it became associated with the UN Global Compact, initiated by the then UN Secretary-General Kofi Annan in an address to The World Economic Forum on January 31, 1999, and officially launched in July, 2000.[1]

Of the three strands, the first, or the ethics-in-business strand, is the most amorphous and the most widespread. This is the sense in which the general public, news reporters and commentators, politicians and many business people tend to use the term. In this sense business ethics is nothing new, although that term was not used to describe it before the 1970s. The strand represents the widely-held belief that ethics applies in business just as it applies in all areas of life. The scandals about bribery, insider trading, false advertising, and the like, the stories about Enron and Arthur Andersen and Bernard Madoff's Ponzi scheme, constitute what is generally regarded as misconduct in business and what the general public associates with business ethics—or more precisely, with the failure of businesses to act ethically. The moral norms that are violated apply to all sections of society. Mention business ethics and you are likely to provoke a story about the misdeeds of some business or some business person. Peter Drucker, a well-known business-management theoretician, was one of those who claimed that there is no such thing as business ethics, only ethics in business. He viewed what he saw as business ethics (Drucker 1981) as different attempts to justify business practices that were clearly immoral by ordinary standards.[2] He was correct in attacking such attempts, but he wrote before the development of the academic field. Most of those in the current academic field agree that ordinary moral rules apply in business just as they do in all other areas of life.

[1] For information on the Compact, see the official UN website http://www.unglobalcompact.org.

[2] For a reply to his position, see Hoffman and Moore (1962).

The history of ethics in business goes back as far as both ethics and business. We can imagine the earliest bartering based on a principle of equal exchange. I mentioned two branches—the secular and the religious, and in both of them we find a parallel history of the development of ethics as it applies to business. Aristotle in the *Nicomachean Ethics* (V, 5), wrote of justice being the exchange of equals for equals and in the *Politics* (I, 8–10) he discusses "the art of acquisition," trade, and usury as part of the ethics of the household. If we jump to the modern era, John Locke (1690) developed a defense of private property as a natural right based on the labor one applies to securing the good in question. Adam Smith, who wrote *A Theory of Moral Sentiments* before he wrote *The Wealth of Nations*, wrote about the ethics of business—as well as the lack thereof that took place among colluding businessmen. David Hume, John Stuart Mill, and many others wrote on the morality or ethics of the developing free-enterprise economic system. Karl Marx developed the most trenchant attack on what he termed capitalism, a period of history which he considered necessary and in which he admitted human productivity had developed more than during any other period. For him the problem with capitalism was that most of the benefits were reaped by the few, when there was enough to better the lot of all. His critique still has followers today. All of these writers have added to the history of ethics in business and their thoughts have filtered down in various ways to the general populace. It is not that the ordinary person or members of the media have read all of these works. Rather what these authors wrote in various ways has become part of the accepted view of business and ethics. For example, very little thought or argument is given in the press or media to the moral justification of private property. Rather it is taken as a given in most developed countries that each person has a right to own property, and that such property should be protected by law. Though the proper function of government is debated, the foundations of property, the legitimacy of private enterprise, and the wage system of labor are widely taken for granted as the accepted and acceptable economic structure of society. Karl Marx's critique of capitalism never took serious hold in the United States, and unlike in many European countries, no democratic socialist political party ever developed there. Nonetheless, Marx's critique of exploitation, his condemnation of making commodities more important than people and of judging people by what they have instead of what they are, resonates even in American culture.

The rise since the 1970s of what is called business ethics followed the tumultuous period of the 1960s. In that era the Civil Rights movement in the United States developed as did the beginnings of the environmentalist and the consumerist movements. The Vietnam War resulted in protests against the government's involvement, and there was a reaction on the part of many activists against what was known as the military-industrial complex. At the end of World War II the United States was the only large power remaining that had not suffered serious devastation. As a result, American business flourished and developed a world-wide reach. With large industry, especially the enormous growth of chemical petroleum-based industries, pollution on a large scale became a problem. Environmental groups sprang up to attack business. Those who saw the global reach (e.g. Barnet 1974) of American business as exploitative added their voices to the critics of big business. Many of the criticisms were couched in moral terms, and when in the late 1970s the academic field of business ethics arose, it provided a vocabulary and overarching framework that the critics seized on and that soon spread to the media and to general culture.

The second branch of the ethics-in-business strand, i.e., the religious, also has a long history, and similarly has filtered down and influenced general thinking about ethics in business. Many businesspeople live their business lives guided by their religious moral beliefs, and many of those affected by business practices evaluate them in the same light. The major religious influence on American economic culture is the Judeo-Christian. Others, such as Islamist and Buddhist, Hindu and Confucian are, of course, the primary religious influences on business ethics in the countries in which they are dominant.[3] The sources of ethics in business in the Judeo-Christian tradition go back at least to the Ten Commandments (Exodus, 20: 1–17; Deuteronomy, 5: 7–21), especially the commandments not to steal and not to bear false witness or lie. In the Middle Ages the Church had long prohibited usury and the practice of making money from money, although its position eventually changed to prohibit only excessive interest, rather than all interest payments.[4] Christianity has always been ambivalent towards business and riches. Christ's reply to the rich man that "it is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God" (Matthew, 19: 23–24, Mark, 10: 24–25, and Luke, 18: 24–25) captures that ambivalence. The Church has a long history of concern for the poor, and the administering of charity to those in need. But it did not raise its voice against slavery, for instance, and St. Paul even cautions slaves to obey their masters (Colossians, 3: 22). It was not until the late 19th century that the Catholic Church developed a program of social justice when Pope Leo XIII (1891) issued an encyclical, *Rerum Novarum,* laying out precepts for a just wage. Later Popes have developed Catholic social thought, embracing a defense of the worker. Pope John Paul II in the encyclicals *Laborem exercens* (1981) and *Centesimus annus* (1991) morally evaluated and morally criticized both socialism and capitalism and addressed the needs of developing nations. He outlined what is known as a "preferential option for the poor." Although the Catholic Bishops of the United States also came out with a letter on the economy *(Economic Justice for All),* its impact on the business community and the general public has not been significant. In the

[3] For a brief summary of the major religions and their contributions to business ethics, see Mele (2006). There is a good collection of religious and secular texts and essays in Stackhouse et al. (1995).

[4] For St. Thomas Aquinas on usury (he followed Aristotle on this point), see his *Summa Theologica*, II-II, 78, 1–4.

Protestant tradition, Calvinism developed what is called the Protestant (or Puritan) work ethic, namely, the doctrine that hard work was a calling and a means of achieving success, and that economic success was a sign of one's preordained salvation.[5] That tradition melded well with the American belief in hard work as the road to success.

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The notion of business ethics as ethics-in-business continues to this day. It is part of the popular culture and finds expression in the media coverage of ethical and legal abuses in business, and of business scandals and their aftermaths. Invariably, after a scandal some columnist or politician will point a finger at business schools and their failure to train their students in ethics, or at the failure of the academics in business ethics. The prevalence of ethics in business in the popular culture is exemplified by the popularity of such movies as *All my Sons*, *Wall Street*, *Network*, and *Silkwood*, among dozens of others.[6] Although what is included in the notion of ethics-in-business varies in different countries, depending on the socio-economic-historic conditions, everywhere there is a basic sense that ethics has a place in business as in other areas of life. This becomes clear when we see, as we have, popular protests when a government's rampant corruption becomes public, and when government

[5] This formulation is generally attributed to Weber (1976).

[6] For a list of films on business ethics, see http://www.west.aus.edu/johnso/business/ethics.cfm.

leaders are exposed for taking bribes from corporations on a large scale and enrich themselves at the expense of the people of a country.

This very general and somewhat amorphous sense of business ethics was not clearly articulated and arose as an identifiable phenomenon only after business ethics in a stricter sense developed as an academic field. It is to that history that we now turn.

The many movements in the United States in the 1960s and 1970s led to attacks on business and responses from business. The 1960s saw the introduction in business schools of courses in social issues in management and corporate social responsibility. But they were largely ad hoc and even those in the forefront of the academic move in this direction admitted that the courses lacked a cohesive basis or approach. That in turn led to what has become known as business ethics in the second sense. The term, as currently used, arose with the entry of a group of philosophers into the area, and it was patterned after the term "medical ethics" which had developed in the 1960s.[7] Business ethics rapidly emerged as an academic field.

As an academic field, ethics can be considered as the study of morality. Each society has a morality—a set of practices that it considers right or wrong, values that it champions, and rules that it enforces. Ethics is the systematic study of the generally-held (or conventional) morality of a society aimed at determining the rules which *ought* to govern human behavior, the rules that a society *ought* to enforce, and the virtues worth developing in human life. As an academic discipline it seeks to establish justification(s) for the existing portions of morality that can be defended

[7] Ethics in medicine, of course, goes back at least as far as ancient Greece and the Hippocratic Oath. But medical ethics in its current form started in the 1960s with the development of medical (especially heart transplant) technology and the rise of interest in patients' rights.

and ought to be preserved, and it is critical of those portions of conventional morality that are inconsistent or for other reasons ought to be changed. It is thus partially conservative and partially radical, and at different periods in different societies one or the other of these aspects is dominant. In the United States in the 1860s, the American Civil War was in part a response to the moral condemnation of the institution of slavery as existing in the Southern states of the Union. By analogy, business ethics as an academic field is the systematic study of the morality existing in business—the business practices, the values, the presuppositions and so on actually existing. It is partially conservative and partially radical or critical. In general, for instance, the field has defended private property but it has been critical of the exploitation by multinationals of workers in less-developed countries and of bribery and corruption as practiced by business.

Prior to the development of business ethics as a field there were individual courses here and there on moral issues in business, and lectures and articles about ethics in business. The term 'business ethics' as found in the earlier literature referred to the ethics-in-business meaning of the term. What, dating from the 1970s, differentiated business ethics as an academic field from ethics in business was that it attempted to systematically study the entire range of ethical issues in business as a comprehensive whole. The philosophers who began the endeavor typically started from a comprehensive ethical framework supplied by ethical theory. This could be a version of utilitarianism (which examines the consequences of actions), a Kantian approach to ethical issues (which assumes that duty and rights are basic) or an Aristotelian approach (which places virtue in the center and analyses the character of moral actors—in this case, those in business) or a combination of two or more of them. As with the ethics-in-business strand, the business-ethics movement eventually came to consist of two branches: the philosophical, which was normative and prescriptive, and the empirical, which was descriptive and the area of those trained in the social sciences. The two branches have merged to some extent. The empirical stream typically built on the already-existing social issues in management and the corporate social responsibility courses and structures in the business schools and business education. The philosophical stream came from philosophy departments and the applied-ethics area, of which medical ethics was the forebearer.

As it developed, business ethics came to include analysis of six different levels of ethical concern. The first is the level of the individual. This deals not only with what individuals ought to do when faced with ethical dilemmas or moral problems in business, but also with matters of character, individual self-development on the job, the virtues appropriate to business life, and the integration of ethics on the job with one's ethics and ethical obligations as a family member, a member of a community, and a member of the greater society at large. The emphasis on character development is especially central to those who take an Aristotelian approach to business ethics. The second level is that of the firm. It concerns issues of the internal structures of business that tend to reinforce and promote ethical activity by employees or structures that tend to promote unethical activity (characterized by the injunction: "Get this done by the deadline and I don't care how you do it."). This is the level of corporate policy, of corporate culture, of responsibilities to the various stakeholders of a company, and to corporate social responsibility to the extent that such responsibility is ethical responsibility. The third level is that of a particular industry. The extractive industries pose special ethical problems, as do the chemical industries, and many others. The ethical issues in many cases cannot be solved on the level of any individual firm but only on the industry level. The next level is the national level, and here there are issues of legislation, controls on business activities, the protection of workers and consumers, limitations on pollution, the prevention of child labor and exploitation, and so on. The fifth level is the

international, and deals with the many ethical issues raised by multinational corporations, especially the actions of multinationals from the developed countries operating in less-developed countries in which the local laws do not adequately protect the country or its members.
The sixth level is the global level and this deals with the ethical responsibility of corporations to help in the solutions of global issues, such as depletion of the ozone level, global warming, and similar topics that can only be adequately solved on the global level but for which businesses as well as nations bear responsibility.

Business ethics as an academic field is the systematic study of the morality existing in business—the business practices, the values, the presuppositions and so on actually existing

According to an account by Norman Bowie, the first conference on business ethics was held in 1974 (Bowie 1986) and the papers were published as *Ethics, Free Enterprise and Public Policy* (De George and Pichler 1978). In the late 1970s Norman Bowie, under a grant from the National Endowment for the Humanities, chaired a committee to develop a model curriculum for business-ethics courses. About the same time Richard De George developed a course in business ethics and circulated a ninety-page course curriculum to 900 interested professors in business schools and philosophy departments. In I979 the first texts in business ethics appeared: three anthologies—one by Tom Beauchamp and Norman Bowie, another by Thomas Donaldson and Patricia Werhane, and a third by Vincent Barry—followed by two single authored texts in 1982—one by Richard De George and the other by Manuel Velasquez. The books found a ready market and courses were introduced in philosophy departments and business schools. Courses and competing texts increased rapidly.

The texts came to cover the range of ethical issues in business, starting from meta-ethical questions such as whether moral language which was typically used to refer to human moral agents could appropriately be used to refer to corporations, whether corporations were moral agents, whether one could one meaningfully speak of the conscience of a corporation, and whether the criteria for moral responsibility (having knowledge and will) made sense when applied to corporations. The questions were answered in different ways, some reducing the actions of corporations to the actions of the individuals who made up a corporation, some making the necessary accommodations in the use of moral terms to apply appropriately to corporate actions. The normative issues covered the spectrum of business activities, starting with the moral justifiability (or unjustifiability) of economic systems—in particular capitalism and socialism—and moving on to the areas of business: manufacturing, management, marketing, finance, corporate governance, workers rights, business and the environment, and later the international dimensions of business and the impact of computers and the Internet on the conduct of business. The international dimension included the actions of multinational or transnational corporations, child labor, exploitation of less-developed countries both with respect to labor and with respect to the environment, bribery, and operating in corrupt environments. With the demise of the Soviet Union in 1991, capitalism seemed to emerge as the dominant economic system, and the role of ethics in countries in transition to incipient capitalism grew in importance.

The philosophical approach was normative and looked critically at the moral justification of private property, the proper role of government and government regulation of business, and the morality of business practices. While the ethics-in-business approach for the most part was concerned with scandals and abuses that came to the public's attention, those in business ethics examined the structure of capitalism and the structures of business, sometimes articulating the underlying moral justification of existing structures and practices and sometimes criticizing them from a moral point of view and arguing for change.

The descriptive component of business ethics was developed by those trained in the social sciences and working in business schools. This branch grew out of the social issues in business first developed in the 1960s, and initially did not go under the title of business ethics. The relationship of social issues in business or social issues in management and business ethics is a contentious one, with social-issues advocates claiming business ethics as a part of their field and those in philosophical business ethics claiming social issues as the empirical portion of their field. The dispute has historical roots. The philosophers came in the 1970s and 1980s and intruded on territory that those in social issues of business had in some sense staked out as their own. The tension continues up to the present. Whether business ethics included corporate social responsibility or whether corporate social responsibility included business ethics was an internal debate. However one comes out in that dispute, the philosophical branch of academic business ethics emphasized the normative aspects of business ethics, and the social sciences branch emphasized the descriptive aspects of business ethics, looking at and describing the practices actually found in businesses. The latter studied different effects of different practices, as well as differing attitudes toward given business practices in different societies.[8] Social issues in management include ethics as one component—but business ethics includes much more than social issues; not all social issues are ethical issues, even though many social issues can be viewed from a moral perspective; and one can make a moral evaluation of economic, legal and social aspects of business.

[8] For an overview, see Treviño et al. (2006). Two textbooks that integrate ethics into practical advice based on empirical research for people in business are Treviño and Nelson (2011), and Gentile (2010).

The descriptive approach has proved more congenial to business since it is less critical and, being empirical, is more suited to business's empirical approach. The philosophical approach was, and to some extent is, considered with suspicion by many in business, and at first those in favor of the philosophical approach to business ethics were not welcomed by business, by those concerned with social issues, or by business schools in general. All of them questioned the credentials of those in philosophy to evaluate complex issues in business, and often the philosophical approach was assumed to be antithetical to business. At the same time, many philosophy departments felt that those who engaged in the study of business ethics were not really doing philosophy as they defined philosophy. Despite these initial reactions, by the 1990s business ethics was well established as an accepted academic field.

The philosophical branch of academic business ethics emphasized the normative aspects of business ethics, and the social sciences branch emphasized the descriptive aspects of business ethics

The emphasis was initially on and still concerns primarily large corporations. But the investigation of ethical issues with respect to small and medium-sized businesses is increasing.

The Society for Business Ethics (SBE) was founded in 1980,[9] primarily by those in the philosophy stream. The Social Issues in Management Division of the Academy of Management, which became the major organization for

[9] The first meeting was held on April 25, 1980, in Detroit, in conjunction with the meeting of the American Philosophical Association, Western Division. Organizational meetings had taken place during the previous two years. Thomas Donaldson was the Director of the Organizing Committee. The first Executive Committee consisted of Richard De George, Thomas Donaldson and Patricia Werhane.

those on the descriptive side of business ethics, had existed since 1976. The SBE met initially in conjunction with the American Philosophical Association. In 1989 it changed its annual meeting to precede the Academy of Management annual meeting, although it still had sessions in conjunction with the American Philosophical Association. The SBE continues to be the dominant academic venue for business ethics. In 1991 it started the *Business Ethics Quarterly* with Patricia Werhane as Editor.

Conferences began to take place more and more often on various topics and issues in business ethics. The Bentley Center for Business Ethics was established in 1976 and continues to flourish. Other centers of business ethics started appearing at various universities, and journals dedicated to the field emerged. At least a dozen other centers sprang up within a space of ten years. The *Journal of Business Ethics* appeared in 1982. Other journals in business ethics followed. In 1987 Henk van Luijk and Georges Enderle were instrumental in founding the European Business Ethics Network (EBEN), which stimulated the growth of national societies in Europe and the development of business ethics in many of the European countries.[10] By 2011 EBEN had linked together 17 national networks.

The International Society for Business, Ethics and Society, which was founded in 1988, helped to promote the growth of business ethics in countries around the world. Its first meeting was held in 1992 and the first World Congress of Business, Economics and Ethics was held in Japan in 1996. Other World Congresses followed in São Paulo (2000), Melbourne (2004), Cape Town (2008), and Warsaw (2012). The Japan Society for Business Ethics (JABES) was inaugurated in 1993, and the 1996 World Congress led to the establishment of societies for business ethics in Latin America and to the Latin-American Business Ethics Network (ALENE) in 1997; to the Business Ethics Network of Africa in 2000, which includes

[10] For more on the history, meetings, and membership in EBEN, see http://www.eben-net.org.

members from 22 countries; to the Australian Business Ethics Network, and to societies for business ethics in India, China and other parts of the world.[11] The first issue of *Business Ethics: A European Review* was published in 1992. By the turn of the century business ethics as an academic field was firmly entrenched internationally. It had proved not to be a passing fad, as some had predicted.

Business ethics has developed and expanded as business has developed and expanded. In 1989 Thomas Donaldson published the first book on international business ethics, followed by one by Richard De George (1993). Both reflected the reality that business had become international and that such a development raised new issues that had to be addressed and to which there were no intuitive or easy solutions. The globalization of business was the next step, and the computer, the digital revolution, and the rise of information technology further changed business and raised new ethical issues of privacy and intellectual property, among others.[12]

In 1984 R. Edward Freeman published a book which called for a reconceptualization of the corporation and which became influential in both business ethics and in the vocabulary used by businesses in describing their activities. In the United States, corporations have a legal obligation to manage for the benefit of their shareholders. This has sometimes been interpreted by some corporations and commentators to mean that shareholders always take priority over others, whose interest may legally be considered secondary. This is the shareholder view of the corporation. Freeman argues that corporations have obligations to all of its stakeholders—its shareholders, its employees, its suppliers, its customers, and all others who have a stake in the corporation. The reinterpretation does not change the ethical obligations of corporations,

[11] For more information on ISBEE, see http://www.globethics.net/web/guest/about-isbee.

[12] See, for instance, De George (2003).

but it does make it easier to argue that sometimes other stakeholders take precedence over shareholder interests.[13]

By the turn of the century business ethics as an academic field had begun to move into its mature stage. But as it developed in the United States, the empirical branch slowly grew in size in comparison with the philosophical branch. Many of the philosophers who were especially active in starting the field moved into distinguished chairs in business schools, usually in departments of management. The philosophers, who originally dominated the Society for Business Ethics, slowly gave way to empiricists in the social sciences. The number of normatively-oriented articles accordingly gave way to those of an empirical cast, and the range of articles in business ethics narrowed, so that the great majority were in management ethics rather than marketing, finance, human relations, or other areas of business. The Exxon, WorldCom and other scandals at the turn of the century led to a spate of books and articles on corporate governance, and the financial crisis of 2007–2008 led some to look into the ethics of the financial industry. Beyond the borders of the United States some took the financial crisis to be a crisis of the legitimacy of capitalism, and at least some analysed the ethical justifiability of finance capitalism. The United States maintained dominance in the field of business ethics, but centers appeared in many countries in Europe, Asia, South America, Australia, and Africa.

In the United States the rapidly developing field had some impact on business. But the third strand of business ethics—the incorporation of ethics, or at least the trappings of ethics, into businesses in the United States on a large scale—was given the greatest impetus by government legislation. The two branches that became dominant were the corporate

[13] For more on stakeholder analysis, see Freeman (1984), and Goodpaster (1991). Despite its wide acceptance, the theory has a number of critics. For a more recent defense, see Freeman and Phillips (2002).

ethics branch and the corporate social responsibility branch. The two are often divided within the same company. Prior to government legislation, some individual companies, such as Johnson & Johnson,[14] had on their own adopted codes and incorporated ethics into their structures. Similarly, individual corporations and industries had reacted to public pressure in a variety of ways. For instance, in 1978 General Motors and other United States corporations operating in South Africa adopted what were known as the Sullivan Principles. They agreed not to obey the discriminatory and oppressive apartheid laws in South Africa and in other ways—including lobbying the South African government—to attempt to undermine or help end apartheid. In 1984, after the Union Carbide disaster at its plant in Bhopal, India, which killed thousands and injured several hundred thousand people, the chemical industry adopted a voluntary code called Responsible Care.

The first governmental impetus came in 1977 with the passage of the United States Foreign Corrupt Practices Act. This prohibited United States firms from making payments to high-level government officials of foreign countries in order to obtain contracts or special favors. It was not until 20 years later that the OECD countries adopted similar legislation. The second impetus was the Defense Industry Initiative (DII) on Business Ethics and Conduct (1986). This was an initiative by defense contractors in response to a series of irregularities in contracts with the United States government. The signatories (initially 30, and eventually 50) agreed to have a code of conduct, to establish ethics-training programs for employees and to develop monitoring mechanisms to detect improper behavior. This became the model for the United States Federal Sentencing Guidelines for Corporations (1991), which added a carrot to the stick of federal legislation. It gave corporations a large financial incentive to

[14] The Johnson & Johnson Credo dates back to 1943. See http://www.jnj.com/connect/about-jnj/jnj-credo.

appoint a corporate ethics officer, to institute an ethics-training program for all employees, and to develop, adopt and enforce a code of conduct. If they did so, and the firm or one of its employees was found guilty of defrauding the government in any way, the fine imposed could be reduced by up to 96% of the maximum fine of US$290 million. Integrating ethics into the corporation became cost effective and no longer an expensive add-on of perhaps dubious value. The fourth government impetus came with the United States Sarbanes-Oxley Act (2002), enacted in the wake of the Enron and associated scandals involving corporate governance.

As a result of legislation, corporations were faced with the new task of establishing a corporate-ethics officer position and introducing codes and mechanisms for monitoring and enforcing the codes. For many corporations—although not for all—this was new and unfamiliar territory. One result was the creation of the Ethics Officer Association in 1992, which became the Ethics and Compliance Officer Association (ECOA) in 2005. The association provided a network and a forum for members to exchange ideas and strategies on ethics and on legal compliance. Although it started with 19 United States corporations and is headquartered in the United States, by 2011 it had 1,200 members in over 30 countries.[15] The overall result was the incorporation of ethics in some form as part of the structure of many companies.

At the same time, in various ways and venues companies came under increasing pressure from NGOs and the general public to become good "corporate citizens" or to engage in Triple Bottom Line (economic, environmental and social) accounting and in other ways to turn their attention to Corporate Social Responsibility (CSR) with respect to the communities within which they operated. This became the second branch of the ethics-in-business strand of business ethics.

[15] For more information on the ECOA see http://www.theecoa.org/iMIS15/ECOAPublic.

CSR has become something that corporations can no longer ignore and still maintain a positive public image. The emphasis on CSR, however, in some instances has become equated with business ethics, even though only some of a corporation's social obligations are ethical. (Others are legal or simply a response to the desires of vocal lobbing or other groups, and corporations also have many ethical obligations not included under CSR.) Many corporations have two officers and two offices: one the CSR which handles external obligations and one internal—a corporate ethics office—which handles internal ethical training and issues. Corporations can have exemplary CSR programs and be ethically deficient in other areas of their operations, as the case of Enron demonstrated.

Many multinational companies have adopted codes that cover their practices throughout the world and/or have signed on to abiding by sets of principles such as the Caux Principles[16] or the principles contained in the UN Global Compact. The Global Compact contains ten principles dealing with human rights, labor standards, the environment and corruption. By signing on, corporations commit themselves to abiding by the principles and determining how best to implement them. The initiative has grown to more than 8,000 participants, including over 5,300 businesses in 130 countries around the world, and embraces six UN agencies. In 2011 the UN Human Rights Council endorsed a set of Guiding Principles for Business and Human Rights which sets a global standard with respect to human rights and business activity.[17] The Global Compact encourages the creation of local networks on national and regional levels to share information, develop appropriate means of implementing the principles, and encourage other companies to join. The Compact is compatible with other codes and is ultimately based on self-regulation.

[16] The Caux Principles were formulated in 1995 by a group of Japanese, European and American firms that met in Caux, Switzerland. For details of the principles and their implementation, see http://www.cauxroundtable.org.

[17] For the Principles, see http://ohchr.org/documents/issues/business/A.HRC.17.31.pdf.

Self-regulation, moreover, is not necessarily antithetical to governmental regulation, and the two are most effective when they work together, e.g., to abolish oppressive child labor.

Although the UN Global Compact identifies itself with corporate citizenship, it encompasses aspects of both CSR and business ethics, insofar as it places great emphasis on respecting human rights.

CSR has become something that corporations can no longer ignore and still maintain a positive public image

The way CSR plays out in most European countries, in which the government has a larger role than in the United States, varies as do the issues that business ethics addresses. Labor typically has a larger say in European corporations than it does in the United States, and many labor rights that are negotiated in the United States are legislated in Europe. The safety nets in place are also different. In other parts of the world the same is true, and issues in developing countries are different from those in developed countries. Although widely accepted, CSR is a somewhat nebulous concept and is often adopted by companies in response to external criticism, without any overarching framework or set of values. In the case of multinational or transnational corporations there is also ambiguity about whether the social responsibilities of a corporation reflect the demands of the society in which it has its home office or of the societies in which it operates. The ethical component of CSR is determined in all cases by ethical norms and not simply by the demands of vested interest groups.

The globalization of business has brought with it the globalization of business ethics in all three of its strands. Although the emphasis is still primarily on business ethics in each nation or region, with some of the literature devoted to cross-cultural or cross-national comparisons, the true globalization of business ethics is still in its infancy. There is some attention to global issues, such as global warming. But the battles are fought in national and regional political venues.

What has become clear over the past 40 years is that all three strands of business ethics are interrelated. Sometimes the progression is from the academic business-ethics literature to a rising public consciousness as publicists and activists seize the idea to exert public pressure that spurs corporate activity. At other times academic business ethics follows public sentiment or reacts to business practices. What has also become clear, however, is that business ethics by itself is insufficient to level the business playing field for the benefit of all. Academic criticism, public protests, self-policing and corporate or industry codes can go only so far. At some point, governmental legislation is required. Legislation, however, is national or local. There is no effective international legislation that matches the globalization of business, and corruption on the governmental level impedes the growth of business ethics on the local level in many countries. Even some of the OECD countries have been lax, for example, in implementing and enforcing national legislation prohibiting bribery of foreign governments.[18]

Nonetheless, by 2011 business ethics was no longer considered an oxymoron. The public in many countries is more conscious of ethical issues in business than it was 40 years earlier; the academic field of business ethics, although continuing to develop, has matured and is no longer struggling to establish itself; and the business community has at least started seeing ethics and ethical demands as part of the package it has to manage and internalize.

[18] See, for example, the Transparency Corruption Perception Index http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results.

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>> The notion of ethics in business can be traced back to the earliest forms of bartering, based on the principle of equal exchange. Countless philosophers and economists have examined the topic, from Aristotle and his concept of justice to Karl Marx's attack on capitalism. But the modern concept of business ethics dates back to the rise of anti-big business protest groups in the United States in the 1970s. The subject gradually became an academic field in its own right, with both philosophical and empirical branches. Then, thanks to government legislation, ethics have been incorporated into businesses, reflected today in corporate social responsibility strategies and codes of conduct. Business ethics is now not only a firmly established academic field, it is something companies realize they need to manage and internalize.

RICHARD T. DE GEORGE

University of Kansas

17 History of Business Ethics (in academia) Business ethics only became a subject taught from the 1960s and this was predominantly in the USA. Became important as issues were arising over organisations conduct and behaviour. As a response organisations started to donate money to charity to show their attitudes to ethics (Philanthropy) These programs were ad hoc in nature and usually localised.Â

23 Deontologism Derived from the Greek word for Duty Actions are not justified by their consequences. Factors other than good outcomes determine the rightness of actions It is a duty never to lie The act itself irrespective of results is the issue at hand