

A Reflection on Business Ethics
*Implications for the United Nations Global Compact and Social
Engagement and for Academic Research*

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Wallace R. BAKER,
Ancien Avocat à la Cour and
Emeritus Partner
Baker & McKenzie
Paris, France

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Branigan Distinguished Citizen Fellow at the Institute of Advanced Study at the School of
Law of the University of Indiana, Bloomington, USA, in April 2007*

Contents

1. Introduction	3
II. A Reflection on Business Ethics	3
<i>.What are the origins of Ethics?</i>	
<i>.Do Ethics vary in time and in different cultures?</i>	
<i>.Do Ethics vary depending on who you are dealing with?</i>	
<i>.Are Ethics subject-specific?</i>	
<i>.How are Ethics transmitted and formalized?</i>	
<i>.Are some businesses unethical by nature?</i>	
<i>.Does ethical conduct pay?</i>	
<i>.What is the relation of Ethics to Justice?</i>	
III. Implications for the 199 Global Compact and Social Engagement	17
IV. Implications for the Role of Academic Research	20
<i>.Academic Research and Ethics</i>	
<i>.Assessing the Impact of Academic Research on Ethics</i>	
V. Concluding Remarks	22
References	24

I. Introduction

The overall purpose of this paper is to reflect on the importance and impact of linkages amongst business ethics as a growing academic discipline, the principle of social engagement as promoted by the 1999 UN Global Compact, and the role and impact of academic research as carried out in higher education institutions. Taken together, these are gaining greater importance in the globalized society of 21st century, as well as in connection with the activities of the United Nations.

A considerable number of the objectives related to business ethics and the encouragement of social engagement depend to some extent on the role and contribution of relevant academic research. Certainly researchers, by virtue of their wide knowledge and investigative as well as analytical approaches, can help to identify and document the main or emerging issues surrounding the place of business in socio-economic development. The issues in question are complex ones necessitating reflection from various standpoints on the nature of commercial activity, of profit, of the human professional conduct involved, and of the contribution of this milieu to the general public good. Consequently, the research angle must be an interdisciplinary one so as to study the varied dimensions of the issues. Moreover, it should be recalled that research is the lifeblood of the Knowledge Society and the fuel for its successful operations because it helps generate new and effective approaches to problem-solving.

At the present time, it so happens that all these matters are of great interest to the United Nations, which promotes the principles of altruism and international cooperation amongst all nations for a common global good based on peace and equitable human development. This paper aims therefore to make comments on the diverse elements involved and on the synergy which can be derived from their positive interaction.

II. A Reflection on Business Ethics

A reflection on business ethics requires a prior consideration of the domain of ethics, *per se*. This, unlike mathematics, is not an exact science. Resolving an ethical problem requires the analysis of particular circumstances and the study of specific facts.

In the business world, ethics often are displaced by greed when there is a periodic frenzy of rising stock market prices. Inevitably, a steep downturn then inflicts losses on investors and on businesses with a concomitant reduction in the work force. An excessive competitive spirit tends to induce unethical business practices so the business world becomes a battlefield where the normal rules are flouted, skirted or simply disregarded. The ensuing instability is bad for the economy and for the government.

Who is better placed than oneself to take care of one's own needs and desire? Nevertheless, if self-seeking wreaks great harm to the general good in the process of bringing advantage to the individual, the imbalance must be redressed. It is not only painful but inefficient to live in a society where there are no ethics, law and order. Worse, if individuals or businesses become steeped in unethical practices, this trend generally engulfs the political

world as well. At this point, the quality of democracy languishes and the citizens lose faith in their institutions and their elected officials¹.

Understanding of problems of business ethics can be addressed through a series of questions which offer different perspectives on the subject.

The first question relates to the origins of ethics - whether they come from religion, philosophy, the laws of nature, scientific study, study of political theory relating to ethical norms created in society or other fields of knowledge.

The second question goes to the issue of whether ethics vary at different times and in different cultures.

The third question asked is whether ethics vary depending upon who we are dealing with -- with a friend or foe.

The fourth question asks whether different ethical conduct depend on the subject matter involved.

The fifth question relates to how should ethical rules be transmitted and formalized and how they have been formalized to date.

The sixth question is whether or not certain activities or businesses are unethical by nature in whole or in part. It also considers whether the corporate institution can function as an ethical entity since it was designed to generate profit.

The seventh question is whether or not ethical conduct pays in a business context.

For most people, ethics are related to justice. The eighth question deals with this subject.

The last question relates to how ethics can be enforced.

1. What are the origins of ethics?

A majority of individuals brought up in a monotheistic cultural background - Jews, Christians and Muslims - believe that standards of ethical conduct come from God by revelation. For example, according to the Christian and Jewish religions, God gave Moses the Ten Commandments on a mountain top. For Muslims, Muhammad experienced revelations from Allah which were later written in beautiful prose and poetry in the Quran (Koran).

Buddhists believe that Buddha found the proper way to virtue and to respect others through meditation without the direct intervention of a monotheistic god.

¹ This seems to be happening in a number of developed countries. See Mitchel J. Sandel (1996) *Democracy Discontent*, page 3, footnote 1, in which he cites a poll in 1994 in the United States in which only 20% of the Americans believe they can trust the government in Washington to do the right thing most of the time and in 1992, three-quarters said they were dissatisfied with the way the political process is working. According to Sandel, this discontent with democracy is a longer term problem of lack of proper political philosophy.

Religious fervor can be a highly effective motivating factor for some individuals to act ethically and can bring stability to one's personality. Religion can be a support for imperfect humans and used as a guide and help build up confidence, especially when an individual is a part of a religious community which provides support through life's difficulties. Without such faith and the comfort of belonging to a group, many human beings feel helpless and without hope in a chaotic unreasonable, often ugly world. The support of religious faith helps them to gain stability and to resist temptation from evil. Such faith gives them a drive and optimism very useful in life. A significant majority of those living in societies with a generally monotheistic culture has faith in one god and believes that their values have universal application.

Unfortunately, on the other side of the coin, some of those who have religion, especially religious fanatics and extremist leaders in all religions, at different times, have contributed to religious and racist hatred, violence and killing.

It is also true that good conduct on each holy day is not necessarily maintained during the remainder of the week.

An American author², a recovered victim of a serious mental disease who became an Episcopal minister, noted in one of his studies that there were many similarities in the way some religious believers and people suffering from mental illness view the world.

Thus, religion can bring an element of stability in the life of an individual since the need for a spiritual life is widespread. On the contrary, especially if in a more extreme form of some types of religious belief, it can accompany a form of instability that resembles madness.

In China some forms of Western religions and newer religious sects are not considered ethical but sometimes politically and morally dangerous, in which case they are not tolerated and are suppressed. The same is true in France to a much lesser extent where certain recognized Churches in the United States are categorized in France as sects subject to popular and official opprobrium.

The Catholic Church and Judaist leaders have conducted a useful dialogue since WWII which helped to resolve disputes and strong tensions between these two religions. More dialogue, tolerance and cooperation, and rapprochement between all religions would be useful to reduce racism, religious hatred and evil in the world. Competition between churches should be reasonable, ethical and non-violent.

In contrast, some legal scholars have thought natural law governs moral behavior.

Others like E. O. Wilson, a world renowned socio-biologist and Pulitzer Prize winner, prefer to rely on science and studies of society. In his book *Consilience*³, he explains that with primitive man, ethics had survival value because of the efficiency of cooperation and teamwork. Primitive men could create a stronger common defense if they cooperated. They could kill more animals for food if they hunted together rather than singly.

This view has recently been comforted by biologists after a ten-year study of the African meercat⁴, a wild animal of the mongoose family, that exhibits more cooperation and altruism, than is the case with many other animals – and most human beings. These foot-high

² Boisen, Anton T.. 1936. *The Exploration of the Inner world - A Study of Mental Disorder and Religious Experience*. Mr. Boisen became research associate in psychology of religion and chaplain at the Elgin Illinois State Hospital. He taught at the Chicago Theological Seminary.

³ Wilson, Edward O. 1998. *Consilience - The Unity of Knowledge*. Alfred Knopf

⁴ Clutton-Brock, Tim. Sept. 2002. *Meerkats Stand Tall*. National Geographic.

animals with almost human eyes can stand upright supported by their tails. They take care of other families' children, take turns guarding their group and warn others engaged in food-digging of a predator's arrival. If a jackal attacks, they stand together to fight as a group and are much more effective in defeating considerably larger enemies. Sympathy runs so high that non-breeding females produce milk for another family's pups. This cooperative, if not altruistic, behavior can extend to larger groups of up to forty members. Larger groups are the most successful because each member can contribute less time protecting the group's interests and devote more time to foraging. These animals survive because they cooperate with each other.

Scholars have observed and learned through experiments that cooperation among humans occurs among a large number of unrelated individuals. This cooperation has been defined as "individual behavior that incurs personal costs in order to engage in a joint activity that confers benefits exceeding these costs to other members of one's group"⁵.

Another interesting example from the animal kingdom that illustrates more cooperation than usual and better ethical conduct is the case of the bonobo apes where the capacity for cooperation of females among themselves to control the males has made the sexes co-dominant resulting in greatly reducing male violence in their communities. There is no evidence among groups of bonobos of the unprovoked aggressive warfare one observes among different groups of chimpanzees with whom humans have a common ancestor more than six million years ago. Bonobo males do not commit rape, batter adult females, torture and brutally kill infants and adults like chimpanzees do. Unfortunately humans have the same kind of male dominated society where wars and violence are more common than elsewhere in the animal kingdom⁶.

According to Lionel Tiger, in human society, women are taking firmer control of their destinies and men are losing their ancient position of dominance because of effective contraception, more working women and more higher education. They also have different voting tendencies⁷.

Unethical anti-social violent conduct is learned in situations where young people are brutalized, where they learn to be belligerent and experience violent performances until such conduct becomes virulent. These people are not, according to Richard Rhodes, mentally ill, brain damaged, monstrous, anomic or genetically or subculturally determined, ie. not categorically different from the rest of us⁸.

Different individuals and different groups have varying degrees of prosocial emotions such as shame, guilt, empathy, and sensitivity to social sanction. "Without the prosocial emotions, we would all be sociopaths, and human society would [...] not exist. [...] Sociopaths have no mental deficit except that their capacity to experience shame, guilt, empathy, and remorse is severely attenuated or absent. They comprise three to four percent of the male

⁵ Bowles, Samuel and Gintis, Herbert. *Strong Reciprocity: The Origins of Human Cooperation*.

⁶ Wrangham, Richard and Peterson, Dale. 1996. *Demonic Males, Apes and the Origin of Human Violence*. Houghton Mifflin Company, New York, New York.

⁷ From a review of Tiger, Lionel. 1999. *The Decline of Males*. Golden Books in Scientific American, January 2000, p. 84

⁸ Rhodes, Richard. 1999. *Why they Kill, the Discoveries of a Maverick Criminologist*. Random House, New York, New York. In this book the author writes about Dr. Lonnie H. Athens, a criminologist who, he believes, has established a solid scientific foundation to build a program of violence prevention.

population in the United States (Mealey 1995), 20% of the prison population, and between 33% and 80% of the chronic criminal offenders⁹".

More cynical observers believe that the leaders and those who hold power in a society formulate ethical rules (might makes right?). This view is consistent with the fact that leaders have often considered themselves to be sacred (divine right of kings), claiming to be representatives of God or other divinities. This practice tends to reinforce their power. If it is true that leaders can help improve the level of ethics for each individual in the group they manage, then this bodes well for upgrading ethics in large organizations where leaders propose or impose high ethical codes of conduct on subordinates.

A recent novel¹⁰ explores ethical conduct of an atheist. The reviewer of this book notes "Lili is a welcome and timely reminder that atheism is not just an inevitable result of teaching evolution in schools but a valid moral alternative, arrived at by observation, reason, and a desire for morality unencumbered by guilt or visions of the next world." Perhaps this reflects a distillation of Judeo-Christian ethics into one's conscience without religious beliefs.

Emmanuel Levinas, a philosopher and scholar in the Judaic religion, wrote that "The true correlation between man and God depends on the relation of man to man where man assumes full responsibility as if there were no god."¹¹ According to Roger-Pol Droit, he "places the divine in inter-human relations. For him, the 'other person' comes before all."¹²

One must bear in mind that a great number of religious believers in Asiatic countries - Buddhists and others - think that it is possible to live as a saint without believing in the uniqueness of a monotheistic god.

For the purpose of this analysis, the source of ethics is less important than discovering the right rules, at least some of which can evolve with time. However, since many are a product of evolution, traditional ethics could be more robust than new ones we might generate. As we have seen from the above discussion, there are many possible sources of ethics. Each source has probably contributed to ethical conduct.

2.Do ethics vary in time and in different cultures?

Beginning in the last half of the 20th Century, the human race has become aware that its economic activities on Earth are causing major threats to our environment, to our health and survival as well as to all life on our planet.

Some businesses, but not all, have recognized their ethical duty to take special measures to lead them to sustainable social and economic development in their activities. These new ethical duties not only concern the present population on Earth but, perhaps more importantly, future generations. These are new ethical duties that have arisen as Man has begun to have a serious effect on the Earth's ecological systems.

In previous centuries, the slave trade was not generally considered unethical by most of the population but ethics have changed.

⁹ Ibid. Page 5.

¹⁰ Martin, Valerie. February 18, 2001. *A True Nonbeliever*. The New York Times, Late Edition - Final, Section 7, Column 1, Page 31 [Review of: De Witt, Abigail. May 2000. *Lili*. Northwestern University Press]

¹¹ Emmanuel Levinas quoted in "Dossier Emmanuel Levinas", Le Monde, Friday 6 January 2006

¹² Roger-Pol Droit in "Dossier Emmanuel Levinas", Le Monde, Friday 6 January 2006, p.6

These two examples demonstrate how ethics change in time.

The conclusions of Ruth Benedict, a leading sociologist who wrote a landmark book, *Patterns of Culture*¹³, indicate that ethics vary widely in different societies. She studied Indian tribes in the US, and primitive cultures in Pacific islands. For example, in the Dobu Islands in the Pacific, ill will and treachery are virtues in their society.

At UNESCO, Professor Yersu Kim led a most interesting study begun in 1997, *Prospect For a Universal Ethics*¹⁴. According to Professor Kim, there is an urgent need to make progress in defining and promoting ethical conduct, and agreeing on basic rules, because the Western synthesis of ideas is no longer providing a reliable guide to progress and survival. He cites the historian Hobsbawm, who wrote that the last part of the 20th Century was "an era of decomposition, uncertainty and crisis", after a period of major wars and more killing than in any previous century.

UNESCO's study attempts to identify basic ethical principals which are common to major religions and cultures. For example, this study has found that the golden rule of "doing into others as you would have them do unto you" is common to many religious teachings and cultures; it is almost a universal theory. This can be compared to Kant's view that ethics should be based on principles that are universal.

It would be most useful if UNESCO as well as other organizations or international associations could continue to try to formulate some general rules and induce people to actually integrate basic ethical principles in their lives through education in the home and in schools. Professor Kim's preliminary report notes that the Western synthesis – individualism, rationalism, scientism and progress – now has lost adherents. Something else is needed.

Henri Tsiang¹⁵ notes that traditional values in Asia come from Confucianism, Taoism and Buddhism. Although not strictly speaking religions in the Western sense of the term, they also promote frugality, hard work, the importance of education, the respect of others and good conduct in society. These rules of conduct which are not unlike those that have been recommended in some Western societies.

In Asia, Man is considered as totally integrated in nature like any other living organism or thing in nature. In nature, there is no equality. In contrast, in the monotheistic cultures, Man is separated from nature by his superiority and elected by God to have dominion over all other living things. In addition, in the West, the concept of individual human rights has developed over many centuries which weakens the idea of absolute rule by an all-powerful sovereign. The individual's interest in the West has taken on an overwhelming importance compared to the Asiatic view that advancing individual interests can be considered egotistic, irresponsible and anti-social. Therefore, in the East the emphasis is to favor group action. Historically, the theory of a virtuous emperor who makes decisions in the public interest which are followed by an obedient population has been the pattern.

Thus, there are similarities between ethics in the East and in the West but there are also significant differences due to cultural differences in values.

¹³ Benedict, Ruth. 1950. *Patterns of Culture, An Analysis of Our Social Structure as Related to Primitive Civilizations*. Mentor Book.

¹⁴ Kim, Yersu. 1997. *Prospect For a Universal Ethics*. UNESCO.

¹⁵ Henri Tsiang. 2006. *Valeurs asiatiques -- Mythes ou réalités*. Passages, 10 rue Clément, 75006 Paris, France.

Tu Weiming suggests a way to broaden the Western enlightenment mentality when he wrote¹⁶: "The modern West's dichotomous mode of thinking (spirit/matter, mind/body, physical/mental, sacred/profane, creator/creature, God/man, subject/object) is diametrically opposed to Chinese habits of the heart.

[...]

The possibility of a radically different ethic or a new value system separated from and independent of the Enlightenment mentality is not realistic. It may even appear to be either cynical or hypercritical. We need to explore the spiritual resources that may help us to broaden the scope of the Enlightenment project, deepen its moral sensitivity, and, if necessary, creatively transform its genetic constraints in order to realize fully its potential as a worldview for the human community as a whole.

A key to the success of this intellectual joint venture is to recognize the conspicuous absence of the idea of community, let alone the global community, in the Enlightenment project. Fraternity, a functional equivalent of community in the three cardinal virtues of the French Revolution, has received scanty attention in modern Western economic, political and social thought. Willingness to tolerate inequality, faith in the salvific power of self-interest, and unbridled affirmation of aggressive egoism have greatly poisoned the good well of progress, reason, and individualism. The need to express a universal intent for the formation of a 'global village' and to articulate a possible link between the fragmented world we experience in our ordinary daily existence and the imagined community for the human species as a whole is deeply felt by an increasing number of concerned intellectuals. Understandably, the basic unit in any society, past and present, namely the family, looms large in contemporary political discourse. The idea of global stewardship implicit in this line of thinking demands a new ethic significantly different from the Enlightenment mentality."

Noting that these examples illustrate that ethical rules in society change in time and are different in different cultures, there remains much work to be done to increase the universality of the Universal Declaration of Human Rights to better embrace all cultures. See Franck, Thomas M. Jan./Feb. 2001. Are Human Rights Universal? New York, Council on Foreign Relations, Foreign Affairs.

3. Do ethics vary depending upon who you are dealing with?

Many of the Crusaders were Christians who followed the ethical teaching of Saint Bernard. However, in order to recover the Holy Land, which could open to them the gates to Heaven, they killed many Jews and Muslims. They did not consider their conduct unethical.

Some Muslim extremists today seem to adopt a similar course of conduct with their Holy War, the "Jihad" against Jews, Christians and secular governments in countries with Muslim populations. History teaches us that violence, war and terrorism do not necessarily have religion since they are used by religious believers or by people without religion. Plundering others apparently has often seemed easier than acquiring wealth by working. Racial hatred, social discrimination and conflicts over territory are often a contributing factor to war and violence.

One seems to find more ethical conduct practiced among in-groups, like families and members of the same community, where ethical conduct is taught and enforced, rather than toward outsiders and foreigners. Outsiders and foreigners are often hated because they do not have the same religion or culture and are sometimes seen as trying to impose their will on a community or compete for the same territory. However, one should also note that violence

¹⁶ Tu Weiming. 1998. *Family, Nation, and the World: The Global Ethic as a Modern Confucian Quest*. Carfax Publishing Ltd., Social Semiotics, Vol. 8, Nos 2/3.

within families, and sometimes among former friends or lovers, is often encountered in our societies.

In practice ethics are either ignored or changed, depending upon whom one is dealing with. To arrive at a more ethical world, situations that cause conflict will need to be eliminated so that more consistent ethical rules can be applied to everyone.

4. Are ethics subject specific?

Many professions have deontological rules, specially designed to fit their activity. Governments and associations for medical doctors, lawyers, architects make and enforce their special rules. Some have complained that while the American Bar Association (ABA) promulgates rules for lawyers in the United States, they also promote the best interests of the profession. Therefore these rules are not always in the public interest.

Large corporations often enact their own ethical codes which they expect their employees to follow. The OECD, in addition to preparing the *OECD Guidelines for Multinational Enterprises – Revision 2000*, has undertaken the study of 246 codes of conduct prepared by companies (Gordon and Miyake 1999) reflecting an important voluntary effort, or induced by public image considerations, by the business community which some critics claim is only for "window-dressing" rather than a bona fide effort to change conduct. However, some OECD officials believe this is a necessary, useful and an important first step; mandatory corporate codes and enforceable legal rules will follow. Employees who feel they are not treated in a correct manner have claimed violations of these rules, which tend to give the rules a practical effect and more credibility.

Different factual situations seem to require ethical rules that are designed to fit each type of situation.

5. How are ethics transmitted and formalized?

Ethical rules are transmitted orally in families and schools, through sacred texts, church ceremonies, books on philosophy and other ways.

One also finds ethical principles stated in declarations and other documents. The Declaration of Human Rights was signed by members of the United Nations in 1948, based in part on the Bill of Rights in the amendments to the United States Constitution, the French Rights of Man indicated in the preamble to the French Constitution of 1958 and on the French Declaration of the Rights of Man in 1789. Many laws, constitutions and international treaties and other statements of principles (soft law) have ethical content.

Even where legal rules and regulations apply to a company's business, unethical corporate executives often adhere only to the letter of the law, but violate the spirit or reason for the rule or the law. This does not protect investors, employees or third parties. Ethics, honesty and transparency are necessary to insure shareholders and third parties are fairly informed about the financial situation of a company. Ethical action needs to be based on general principles as well as on specific detailed rules which can often be avoided by a subterfuge, thus vitiating the protection of the public.

Ethical rules are found in many forms, all of which hopefully can improve conduct.

6. Are Some Businesses Unethical By Nature?

If "the love of money is the root of all evil"¹⁷, then, since the primary objective of business is to make money, are all businesses unethical? Or does the love of money only become sinful if it is excessive and leads to improper conduct relating to others? In the Sermon on the Mount it is stated that one cannot serve God and Mammon¹⁸. But see "Render into Cesar what is Cesar's and into God's what is God's", Mark 12:17. This last quote, according to some Christians, is the basis for secularism separating religion from worldly materialistic activities. In this regard, it is interesting to note that some Churches have accumulated immense fortunes. In the U.S. some large Churches are managed like commercial businesses.

A U.S. author has written an article with the title: "Balancing Act - Can Business and Ethics Really Coexist?"¹⁹. Ethics usually concerns relations of mutual concern in society between all individuals and the need to limit one's self-interest when it goes against the general interest. Thus in our competitive system there is an immediate tension between ethics and business. The ideal of being a good citizen often is limited or replaced by the ideal of the acquisitive individual winner.

However, commerce and industry can be an activity in the interest of all parties and society. At an individual level if a company sells a useful product, it renders a service to the buyer. At a macro level commerce and industry generally raise the level of wealth and alleviate poverty.

Business probably is less efficient if it is completely immoral. Businessmen usually recognize the moral value of promise-keeping because it facilitates making contracts and commercial activity which increases wealth.

Some individuals and businesses will be tempted to act unethically, particularly in the short run, where there is a one-shot opportunity, to "make a killing". In such case, the unethical individual or company profits while other individuals, companies, societies or future generations lose. In such an instance, short-term private interests are favored over long-term public interests or over competitors. The lack of ethics in business can help to undermine the free enterprise system, leading to manias, crises and crashes in one country or internationally. Unlimited competition, dishonesty and violence can poison the environment in which healthy businesses can operate. Efforts to increase production of the company are replaced by efforts to protect assets.

The former president of Enron, Jeffrey Skilling, when he was a top student at the Harvard Business School, was questioned by his professor "what he would do if his company were producing a product that might cause harm, or even death, to customers that used it. According to his professor [...] Jeffrey Skilling replied 'I'd keep making and selling the

¹⁷ "For the love of money is the root of all evil, and in their eagerness to get rich, some men wander away from the faith and pierced themselves in the heart with many a pang " in I Timothy VI, 10. The Complete Bible, An American Translation. The New Testament translated by Edgar J. Goodspeed. 1939. The University of Chicago Press.

¹⁸ "No slave can belong to two masters, for he will either hate one and love the other, or stand by one and make light of the other. You cannot serve God and money." in Matthew, VI, 24. The Complete Bible, An American Translation. The New Testament translated by Edgar J. Goodspeed. 1939. The University of Chicago Press.

¹⁹ Goldman, Robin. 2002. *Balancing Act – Can Business and Ethics Really Coexist?*. In the Magazine of Golden Gate University.

product. My job as a business man is to be a profit-center and to maximize return to shareholders. It is the government's job to step in if a product is dangerous²⁰."

Recent evidence became public that a tobacco company in laboratory tests had proof that tobacco caused cancer and kills people. Since tobacco companies continue to sell, one can conclude that making a profit is more important than ethics. Lung cancer kills more than 100 000 people each year in the United States and there is proof that smoking causes cancer for many smokers. These facts show that, in such case, profit wins over ethics. The pressure groups working in favor of the tobacco industry are powerful.

The slave trade is no longer considered ethical business in most cultures. However, prior to the 19th century it was widely practiced when prisoners of war taken in African or other wars became slaves. War was profitable for the victorious chief of a tribe, king or head of a nation-state because it added territory, riches, prestige and people to his or her patrimony. Bad ethics of leaders who mobilized weapons and armies have caused enormous damage: an estimated 40 to 60 million people were killed in the last century. War, except in self defense, is generally considered a criminal activity and an unethical "business". With the recent increase in terrorism, preemptive war has become more acceptable to some who think it is the only practical way to preclude mass destruction by terrorists or a rogue state which could strike without warning.

The list of businesses which are by nature considered unethical under national laws also include: (i) trade in the production and sale of illegal drugs, (ii) businesses, even if legitimate, if operated by organized criminals who use criminal methods, (iii) organizing prostitution in some societies is considered unethical but usually tolerated.

Other businesses which recently have been considered unethical include those where labor standards in manufacturing operations outside the continental U.S. resemble slave conditions. Some also include the arms and the tobacco industry. The gradations in ethical standards depend on the culture of the community concerned and scientific knowledge relating to effects of products on people and the environment. The manufacture of asbestos has recently led to consideration of criminal action against a leading industrialist²¹. As globalization (rapid and increased communication, and trade and commerce) speeds up, clashes of ethical standards and cultures increase and could be a factor in increasing terrorism. A certain homogenization or uniformization of basic ethical principles in our increasingly global community should reduce terrorism and violence. More tolerance and cooperation among religions would be helpful.

Most businesses, especially those whose shares are offered to the public, are subject to enormous short-term pressure to meet their earnings targets. Failure to do so means their shareholders will sell and stock prices fall, adversely affecting the company, its executives and other shareholders. Recently this problem has led many companies to be less honest and to include more creative accounting in their books so that forecasted earnings appeared to have been reached. However, once the accounting irregularities are discovered, stock prices sometimes go down dramatically.

Micro lending is a business which has a high ethical content because it focuses primarily on helping poor women.

²⁰ Fusaro, Peter and Miller, Ross M. 2002. *What Went Wrong at ENRON. Everyone's Guide to the Largest Bankruptcy in U.S. History*. John Wiley & Sons, Inc., Hoboken, New Jersey.

²¹ Bank, David. 9 Dec. 2002. *Swiss Business Titan, Environmental Activist Faces his Family's Past*. The Wall Street Journal

A number of corporations have successfully entered into agreements with public entities to advance the public interest to combine private interest and public interest. L'Oréal, the world's leading cosmetic company, works with UNESCO, encouraging young talented women scientists by awarding scholarships. While advancing UNESCO's interests in education and improving women's place in society, it also serves its own interests by improving its image, promoting its product indirectly and developing outstanding young scientists for possible recruitment. For a study of examples, possibilities and problems of public-private partnerships, see Baker, Wallace, *Private Sector Partnership*, 2003, UNESCO, http://portal.unesco.org/es/file_download.php/75569611041450d701df5adbb949aca6Baker+Report.pdf

It is interesting to compare sporting events and businesses because the competitive spirit and rapid action are important to both activities. Beating competitors in sporting events is the primary goal but winners make losers unhappy. Competition in this respect does not seem to be "ethical" by defeating an opponent. Ethics in sports are respected by competitors to the extent they limit their chances of winning by not taking illegal drugs to enhance performance. Sports have often been corrupted by gambling and big money which puts enormous pressure on athletes to win at any price.

Business investments in a country which is unethical, corrupt, undemocratic and has a centrally controlled government country will tend to make all businesses done in that country unethical and corrupt. The U.S. is one country that has punished its businesses for participating in corrupt practices abroad. This type of problem is the major reason for lack of development and poverty in many less developed countries. The World Bank has recently announced a broad strategy to try and stop such practices.

The recent book, *The Corporation - The Pathological Pursuit of Profit and Power* by Joel Bakan²², has been reviewed by Alan Dershowitz who writes that Bakan shows the corporation to be a "monster that can swallow civilizations - greedy, exploitive, and unstoppable". Bakan begins by explaining it is an institution that operates in its own self interest regardless of "the often harmful consequences [...] to others", "a pathological institution, a dangerous possessor of great power it wields over people and societies."

Bakan describes how General Motors used a cost-benefit calculation that favored company profits over human lives by building a car with a gas tank behind the rear axel rather than in front of it. He implies that the company had knowledge that this structure would result in more explosions occurring in accidents costing more human lives than if the tank was installed in front of the rear axel at greater cost to General Motors.

Bakan notes that corporations increasingly dictate to their supposed overseers in governments as the world's dominant economic institutions and it has occupied "central domains of society embedded within the public sphere." In short, they govern our lives. They decide what we eat, what we see, what we wear, where we work and what we do. "We are inescapably surrounded by their culture, iconography and ideology. Like the Church and the monarch in other times, they posture as infallible and omnipotent, glorifying themselves in imposing buildings and elaborate displays. Its dramatic rise to dominance is one of the remarkable events of modern history [...]."

²² Bakan, Joel. 2004. *The Corporation - The Pathological Pursuit of Profit and Power*. Free Press, A Division of Simon & Schuster Ines, 1230 Avenue of the Americas, New York, NY 10020, USA. Joel Bakan was a former Rhodes Scholar, now a Professor of Law at the University of British Columbia and co-creator of the film *The Corporation*.

It is worth noting that almost no corporation is democratic but often has a chief executive with almost unlimited powers and is sometimes, in some large corporations, paid like a king.

In his Chapter 6 about remedies for curbing the dominant institution, he reminds the reader that the great empires, the Church, the monarchy, the Communist Party of Eastern Europe were all overthrown, diminished or absorbed into new order. He doubts if the corporation will be the first dominant institution to defy history, especially since we now see that it cannot solve, but sometimes worsens, the world's problems of poverty, war, environmental destruction and ill health.

He doubts that voluntary corporate social responsibility will provide the necessary control over corporate activity through a market mechanism, i.e. consumers will choose to buy a "good" company's products if everything else is equal.

The author notes that "corporations cannot exist without the State nor can markets". They are a creation of the government and the corporation must be "measured against the standard applicable to all government policies: does it serve the public interest?" Governments do have the power to discipline wayward corporations if public opinion becomes irresistible.

In the U.S., since a corporation is a creature of the State in which it has been incorporated, its charter can be revoked -- a death sentence which seldom happens, except for non-payment of its State's taxes. Execution of such a death sentence is highly theoretical in case of a big company with its creditors, employees and other third parties who depend upon it.

Since abolishing the corporation is unrealistic, the author believes the only way to change the corporation into a non-psychopathic entity is to improve the regulatory system, strengthen political democracy, create a robust public sphere and change international neoliberalism into a system where human values have priority over profit.

After the author's vivid description of how bad corporations can act, his conclusions, although probably well founded, do not leave the reader with much hope that the situation will change soon.

In answer to the question "Are some businesses unethical by nature?", one is led to believe by the discussion above that ethical ideas are mixed into business activities in various ways. However, profit or greed often, if not usually, overpowers ethics. In addition to this difficulty, the history of corporations is one of periodic scandals. The nature of the corporate structure is designed and built to maximize profit not to produce ethical behavior. When and whether the public interest, however that is defined, through public pressure, associations, non-governmental organizations, and more effective government regulation, will effectively curb corporate abuses is an open question.

7.Does ethical conduct pay?

This question is difficult to answer because it is difficult to prove one way or the other since unethical conduct is usually hidden. However, in major business enterprises there are few open advocates for unethical dealing because it adversely affects the business's reputation and can create large potential risks for the business.

There have been many examples in the press where unethical conduct has been extremely costly to countries and many individuals. Recent events in the US relating to Enron and World Com are examples where the real financial condition of the business was not

apparent to investors because of lack of transparency and questionable accounting practices which resulted in overstating earnings.

This situation in the US arose recently after development of new trading markets with high risks. Significant speculation in a more competitive stock market with vanishing margins in companies like Enron pushed business executives into unrealistic and dishonest accounting to maintain earnings, which, when discovered, provoked a steep downturn in the market and substantial losses for shareholders, including numerous pension funds, and for workers as well as jobs. In contrast, many top executives made millions of dollars selling shares based on insider knowledge before the fall. Some criminal indictments have been secured and law suits alleging illegal or insider trading, fraud and other legal theories are being filed. Parties who suffered losses have begun extensive litigation. In this case, depending on the outcome of these law suits, unethical conduct may still have been profitable for some corporate executives as it appears to have been for "Chainsaw" Dunlop who misled shareholders and the public in Sunbeam and several other companies he managed. However a company which purchased Sunbeam in good faith recently recovered a judgment for 1.45 billion dollars, based on its negligence in failing to inform the purchaser of its much reduced value, against the investment bank which helped arrange the sale.

Another situation occurred in 2000 in the Philippines, resulting in the attempted impeachment of President Estrada for unethical conduct and his subsequent forced resignation. This type of behavior undermined confidence and adversely affected the Philippine stock market when insider trading was suspected.

Illegal bribes win contracts which should be awarded following fair competitive principles. Such illegal conduct costs consumers more since the cost of illegal payments is passed on to them through higher prices. The U.S. Foreign Corrupt Practice Act criminalizes such activity for U.S. corporations.

Other examples of costs incurred by unethical conduct in France are recounted in a book entitled *Le coût de la non-éthique* (The cost of being unethical), Cercle Ethique des Affaires, October 1996, i.e. the hugely costly Crédit Lyonnais scandal which cost French taxpayers billions of French francs and which almost destroyed what was a leading international bank in the early 1900's.

However, finding examples of where unethical conduct, which varies from country to country, has profited immoral businessmen is much more difficult to locate or measure because, where successful, the situation is usually kept secret unless a scandal destroys secrecy.

Warren Buffett, a leading American billionaire businessman, declined to make the judgment that crime does not pay. He said "I won't say crime doesn't pay. But crime is not necessary and is not as much fun"²³.

Unfortunately, there is, in both developed and less developed countries, corruption and unethical conduct which leads to the conclusion that our societies are still insufficiently ethically developed, so crime and unethical conduct unfortunately seems to reward the individual wrongdoer. Less developed countries and former communist states are often in worse shape. Ethics, development and democracy are hopefully improving and are refined over the long run although there are periods of back-sliding as well, in particular when there is a boom followed by a crash in the stock market – a recurring situation in a free enterprise economy.

²³

Harvard Law Record. Apr. 10, 1998. *Buffett's Quotations*. Page 5.

One attorney active in business has estimated that in his community one-third of the businesses have activities or operating procedures that are not up to ethical standards.

Experiments in game theory on computers indicate that the tit-for-tat program wins when it uses cooperation for the first move and then plays whatever the other player chooses on the previous move. Its success was due to its being nice (not the first to defect), "provokable" (responding to the other player's decision with a defection), forgiving (punishing and then cooperating after a defection) and clear (easy for the other player to understand). Increasing the number of players tends to make cooperation more difficult²⁴.

Therefore, unethical conduct may pay for some individuals and companies in some circumstances, where the gain is very high compared to the risk and "cost" of being punished by the business community or the government, or when the unethical conduct remains a secret. But generalized ethical conduct in society makes the society work better, which directly or indirectly benefits the individual. Repeated unethical conduct below the customary standards in a society generally results in punishment or an additional cost imposed by the community.

8. What is the relation of ethics to justice?

Justice can be harsh and severe like in the old testament. Or it can be more merciful and human. In either case it is closely related to ethics. They are adjacent concepts. A company's reputation depends in part upon how it applies social justice in dealing with employees and other third parties.

A leading scholar has written that the concept of justice arose in ancient Greece²⁵ when there were conflicts and disputes between the noblemen and the common people when the latter's economic position improved.

In reaching justice, developed societies have usually codified the rules. Written rules are better than unwritten rules because they guide the judge or group making the decision and make arbitrary decisions more difficult to render. A written law tends to apply more naturally to all humans in society, wealthy and poor. Written rules also help the parties in society to know in advance what is lawful conduct. They can therefore better avoid unlawful conduct.

Justice can be defined as equality before the law. This means an unbiased judge and a procedure designed to evoke the truth. Each party should be given an equal chance to prevail if his case is just.

Alternative dispute resolution often provides a more equitable way to find a solution to disputes by taking each parties interests more into account than is possible in a court proceeding.

Leibnitz's idea of universal justice was charity or disinterested love, which he defined as finding pleasure in the happiness of others²⁶.

²⁴ Axelrod, Robert and Dion, Douglas. December 1988. *Further Evolution of Cooperation*. Science, Vol. 242, pp. 1385-1390. <http://poverty2.forumone.com/library/view/7043>

²⁵ Jaeger, Werner. 1979. *Paideia: The Ideal of Greek Culture*. Oxford University Press, pages 102-104

²⁶ Sullerat, Vincent. Jan. 2003. *Réflexions sur l'éthique*. Magazine Littéraire, n° 416, pp. 56-57.

9. Can ethics be enforced?

Minimum ethics tend to be enforced by law where the law is effectively enforced. With human nature being imperfect i.e. selfish, envious, greedy, avaricious, violent and not always intelligent, even so-called civilized societies need minimum rules of conduct enforced in practice by some authority.

Public opinion through boycotts or unfavorable publicity in the press can bring pressure on those in violation of ethical principles as well.

Greenpeace objected when Shell planned to sink its petroleum drilling platform into the Baltic Sea. Threats of boycotts of Shell products by the public convinced the company to dispose of the rig in another more expensive way, which it claimed was more harmful to the environment since the rig contained a minimum amount of petroleum products. Cooperation with Greenpeace at an earlier stage might have avoided this environmental conflict.

Investors in ethical funds have begun to apply pressure by withholding investment in companies in businesses considered unethical like tobacco, the arms industry and by imposing other ethical criteria on investment companies.

Peer pressure by other companies also induces companies to be more ethical even though it is to a certain extent "window-dressing". Competitive pressures motivate companies to keep up with their peers in term of human relations and environmental conduct.

Lawsuits have been filed to enforce ethical conduct of many multinationals.

One leading oil company which also manufactures chemicals, with activities in exploration and production, refining and marketing, has taken a step to enforce the ethics set forth in its corporate code of conduct by providing for referral of ethical dilemmas to an Ethics Committee, ethics, seminars for managers and a review of ethical performance by an unrelated company with United Kingdom accreditation²⁷.

This paper has argued that leaders can by their power enforce ethics and punish violations. Equally or more important is the role of leaders who set an example and induce ethical conduct in their subordinates. More business schools training leaders are incorporating serious ethics courses in their curriculum²⁸.

In this part, we have noted the pressure of public opinion has resulted in direct and indirect pressure on businesses to conform to ethical values.

III. Implications for the 1999 United Nations Global Compact and Social Engagement

In recent years, the United Nations has accelerated its interaction with the private sector and with its major element, the business community. This co-operation results from the important

²⁷ Total. 2004. *Corporate Social Responsibility Report Showing our Energies, Ethics and Governance*.

²⁸ Hude, Henri. 2004. *L'éthique des décideurs*. Presses de la renaissance, Paris. Hude is director of ethics and deontology in the research centre at Saint Cyr Coëtquidan, the French school for military officers where he teaches that the best introduction to the existence of ethics is to rediscover how important good citizenship is. It is the key to the way to a peaceful world through ethics. Page 12.

role played by the economy (and so by business) in socio-economic development at all levels – community, national, regional and global.

The private sector has a special role in this endeavour since sustainable human development rests on stable and successful interaction amongst three forces: *government, the economy (including the business community) and civil society.*

For this reason, co-operation with the private sector should not be seen in donor terms alone. Rather, this represents a major society decision-maker whose voice and influence are as powerful as those of the other forces, by virtue of its social engagement and responsibilities.

Since the advent of globalization, the role of the private sector has gained ground, prompting considerable controversy. Since UNESCO's mandate is carried out in an era where this phenomenon is predominant, dialogue and concrete co-operation with the private sector is indispensable in order to conceptualize and implement relevant and effective programmes. Globalization is often construed as a purely economic phenomenon. Yet, in wider sense, this is also social (as manifested by the shared responsibilities of nations for the equitable development of their peoples), and cultural (as illustrated by the promotion of international understanding and interaction in a world where multi-ethnicity is constantly increasing) .

The private sector may be defined as:

.bodies whose mission focuses on social and economic concerns (such as regional councils and those responsible for national R and D activity)

.business advocacy groups and professional bodies

.the business community - both the corporate sector and national/local business.
.foundations

.individuals who engage in philanthropy and whose personal wealth may vastly exceed certain national GNPs.

Thus, the UN recognizes that the private sector in several capacities: as a major force in social and economic decision-making, as an actor providing intellectual input to programme reflection, as a source of sustained funding support via longer-term projects, and as a potential provider of various in-kind contributions (i.e. expertise, goods and services) for special activities.

Furthermore, the UN itself has defined clear parameters for co-operation with the private sector for its agencies. Central to this activity is the Global Compact, which was established by the UN Secretary-General in 1999 as the wake-up call to the economic sector regarding its critical role in socio-economic development in the 21st century. This instrument encourages the commitment of business to sustainable development by:

.underpinning the new global economy with social and environmental pillars
.safeguarding open markets to make globalization work for all the world's peoples.

The Global Compact is based on 9 key principles covering the three domains of *human rights, labour standards and environmental protection.* Business leaders were challenged to embrace and act upon these principles following their initial presentation during the World Economic Forum at Davos.

As a subsequent step in July 2000, the UN issued *Guidelines for Co-operation between the United Nations and the Business Community.* These provide data on the purpose and rationale

for UN/private sector linkages, partner selection, essential principles, the use of the UN name and logo, co-operation modalities and the institutional capacities required by the UN and its respective agencies to implement such partnerships.

Businesses co-operating with the UN – and with its agencies – are expected to demonstrate responsible citizenship by supporting UN core values and a commitment to meeting the principles of the Global Compact by translating these into sound commercial practice at all levels of operation.

The Private Sector also plays a key role in helping to meet the 2000 *Millennium Development Goals (MDGs)* which advocate innovative strategies to provide more effective solutions to global problems in the 21st Century. Eight goals were identified for collective action by the world's nations: *the eradication of poverty, the achievement of universal primary education, gender equality, women's empowerment, the reduction of child mortality, the improvement of women's health, the treatment of serious diseases (such as HIV/AIDS and malaria), the promotion of environmental sustainability, and the creation of global partnerships for development.*

This 8th and last goal comprises 7 targets requiring concerted action between the UN and its various partners to ensure: *fair trading and financial systems, consideration for the socio-economic needs of developing nations, better debt management and relief, decent and productive employment for young people, access to affordable drugs and to the benefits of new technologies for the developing world.*

Each target implies a major role for the economic sector and for its business and financial communities at all levels. This also serves to reconfirm that the global development dynamic is played out in national and community contexts where local business must address these challenges by using its own strengths and expertise.

Nearly a decade after the establishment of the Global Compact, the private sector has emerged as a major advocate on the global stage and a significant donor as regards development aid. Examples are many from the corporate sector (for instance, a sample of UNESCO 's partners include Daimler –Chrysler, Hewlett Packard, Microsoft, the Banque de l'IndoSuez, Samsung Electronics, Coca Cola, Toyota and L'Oréal) to the resulting foundations and trusts (the UN Foundation, the Gates Foundation, the Unilever Trust, the Global Business Coalition, the Hans Christian Andersen abc Foundation), to the proliferation of celebrity goodwill ambassadors drawn from the ranks of the performing arts. While this philanthropy has clear impact, it also serves both to burnish personal reputations and to offer interesting tax reductions for corporate or personal wealth.

At national and local levels, the importance of the private sector as embodied in small or medium enterprises (SMEs) should be mentioned. A SME is a business employing between 10 and 100 people. Examples are small firms, shops and restaurants. These are an integral element of the private sector in the 21st century. The profound social and economic global changes which characterize the present era are now the subject of regular debates in major international fora such as Davos and Porto Alegre and are crucial to every country's development, as the following statistics illustrate:

- .60-80% of all business is generated by SMEs at national level
- .70%+ of every country's GNP results from this level of business
- .some 100.000 million jobs exist in SMEs worldwide.

The concept of small and medium enterprises is now a reality in all regions of the world. Such entities can be either public or private. In both instances, they are considered as

important elements for national economic growth and prosperity, thus impacting positively on the lives and living standards of many millions of citizens and their families. In this regard and in contrast with multinational corporations, SMEs are a major source of socio-economic empowerment for significant segments of many populations. Consequently, the significance of SMEs –as a commercial concept with socio-economic ramifications – is widely understood. Special mention should be made of women in the business world where they constitute 50% of all small and medium entrepreneurs, often in the informal sector. Of the many examples exist, two are Bangladesh, where the micro-credit system conceived by the Grameen Bank founder and Nobel Prize laureate, Mohammad Yunus, has helped many thousands of women to set up small scale business activities, and France, where women are running one third of the 3 million SMEs in that country.

Yet another aspect of the private sector is a number of other major networks exist with memberships which are closely associated with the business and professional sectors. For this reason, they offer very promising opportunities for collaboration at the country and community levels. These networks include:

Lions Clubs (180 countries), Rotary International (160 countries), the International Chamber of Commerce (134 countries), the Junior Chamber of Commerce, JAYCEES (120 countries), the International Federation of Business and Professional Women, IFBPW (138 countries), the International Association of Students in Economics and Management, AIESEC (70 countries).

In concrete terms, citizens might launch projects to: *help build schools and improve educational services and facilities; provide sports and leisure activities for young people, women and other groups of the populations; support local initiatives for environmental protection; safeguard national heritage sites; encourage local industries such as handicrafts; protect local languages and traditions; sponsor cultural festivals; promote intercultural visits and exchanges; involve senior citizens in community activities.*

Many of these activities are of considerable interest to the local business community which may be ready to give support in diverse ways, both financial and in kind.

This overview has sketched the wide range of social engagement involving cooperation with the private sector. Each type of alliance brings its specific benefits. In this regard, the private sector is no exception. For the UN, benefits may include greater visibility for the Organization's goals and programmes, the further diversification of partnerships, notably those with leading country and community actors, and the potential for enhanced funding support. For International, national and local business, partnership with the UN demonstrates commitment to social engagement and responsibility and to business ethics as well as support for sustainable human development through economic stability and growth. Such action can add considerable prestige to the image and impact of the private sector at country and community contexts. However, this activity, which is undeniably invaluable, has a more complex dimension related to its ethical nature. This opens a debate as to how ethics must underpin business activity so that business ethics are respected and upheld. This will be explored in the next section of the paper.

IV. Implications for the Role of Academic Research

This section will consider how academic research and research universities are significant catalysts in promoting both ethical conduct and social engagement and comment impact of this research.

.Academic research and ethics

Recognizing the variety of different problems involving the study of ethical issues, academic research has long been a very useful instrument for ensuring in –depth analysis of the inherent complexity of such questions.

At the outset, the overall landscape of academic research should be recalled. This is typically carried out in research universities which are dedicated to the objective pursuit of knowledge. Such institutions are characterized by the quality of their infrastructure, research talent, adequate funding and facilitating climate for scientific investigation. In particular, they respect the principle of academic freedom which reduces the dangers arising from the “politics of knowledge”. At the present time, it is estimated that the best research universities in the world, numbering less than 25, are located mainly in the USA. However, what about sound research capacity in the rest of the world? The ranking of institutions based on their proven research excellence has gained considerable ground in recent years and certain emerging economies such as China and Nigeria have declared their intention to raise the calibre of these universities and have set a timetable for this goal. It is important to ensure a correct balance in the distribution of research excellence in the interests of equity.

Academic research related to ethics *per se* may well involve a myriad of disciplines, each of which brings necessary expert knowledge to the study of the issues involved. Inter alia, philosophy, history, law, economics, theology, and sociology might all bring crucial evidence and perspectives to the research exercise. Thus, a cross- or transdisciplinary methodology becomes essential. Complications can arise from various sources - from professional norms (for instance, the duty to preserve confidentiality in the practice of criminal law), from differing cultural contexts and their values (for example, the outcry against cartoons depicting religious figures), or from the behaviour of peers (complaints about co-workers’ possible illegal or unethical conduct are permitted by the Sarbanes-Oxley legislation in the USA but not condoned in certain other contexts).

Against this background, facilitating research on ethics becomes important. Two useful initiatives in this direction are UNESCO’s Global Ethics Observatory launched in 2005 to list researchers, programmes and institutions, and the Loyola Marymount University in Los Angeles which has developed an extensive website for similar data.

By extrapolation, these general principles governing quality research apply to the field of business ethics. Here, many complex and fascinating issues merit serious reflection: the values espoused by business leaders, the boundaries between personal and corporate responsibility, the legitimacy of profit margins and the methods used to obtain these and so on. In their 1993 book entitled *Can Ethics Be Taught? Perspectives, Challenges and Approaches at the Harvard Business School*, Thomas Piper and his co-authors suggest that social problems frequently result from unethical and weak leadership.

Conversely, communities which are rich in reciprocal social relationships can derive great benefit from the trust and cooperation engendered amongst their members. This social capital of diverse networks and interaction produces positive results in terms of building efficient societies. This thesis is evidenced by research carried out in the field of political science by a Princeton professor, Robert Putnam who lead a team of American and Italian experts to investigate the efficiency of various regional governments in Italy. The findings tabled in Putnam’s book, *Making Democracy Work – Civic Traditions in Modern Italy* (Princeton University Press, 1993) demonstrate the positive effects of civic virtue, responsibility, tolerance and dialogue. Moreover, they have clear applications for understanding the working of all sorts of institutions including those related to the business world.

The value of academic research has been recognized by the UN Global Compact which has recently taken concrete steps to engage academic and educational institutions in partnership. The purpose is to strengthen the unpinning of its mission and goals through research-based evidence. Academia adds a reflective and intellectual dimension to the Compact's operations, especially through research in areas such as business ethics, business law and management. For this reason, academic research is seen to bring strategic benefits to the concept of the Global Compact and in its advocacy in support of corporate citizenship. The academic network launched 2006 already numbers over 80 institutions in all regions. A sample includes the All Africa Group, the Asia Institute of Management, the American University of Beirut, Harvard Business School, the Universidad Externado de Colombia and the International University of Sofia, Bulgaria.

.Assessing the impact of academic research on ethics

Of course, a key question to pose is whether all this research on values, business ethics and the like has widespread impact, even when certain investigations appear to clearly prove positive conclusions. This is not easy to answer due to the inherently complex nature of ethical issues. If it is true that one size cannot fit all, then the multiple nature of ethical attitudes, beliefs and behaviours must be acknowledged.

Indeed, evidence exists to support this view. For example, a decade ago, UNSCO launched a preliminary study to establish a Universal Ethics Programme. Member States were divided in their support with certain countries contending that diversity in ethical matters should be respected. Similarly, UNESCO's World Culture Report on Public Opinion and Global Ethics commissioned a public opinion poll which indicated that there are no homogeneously supported ethical values.

Despite these facts, there should be strong support for academic research on ethical issues and their applications. In newer disciplines such as environmental conservation, behavioural economics and intellectual property which have real impact on social change and development, the ethical dimension of content and strategies has great significance.

Furthermore, while research does not conclusively prove that personal ethical behaviour helps to increase an individual's wealth, there is ample data from bodies such as Transparency International and the World Bank to demonstrate a link between wealthy and democratic societies and a commitment to ethical conduct, at least at the macro-level.

In this regard, what does emerge as a priority is the need for all countries to have sound research capacity in a range of essential fields so as to track their own socio-economic change and to ensure ownership of this process. Charting progress is essential but this must go beyond the material aspects alone. In parallel, analysis of the moral dimensions and important frameworks which ensure good governance and citizenship are equally vital. Many developing countries have yet to attain this capacity, or, due to the frequent exodus of their qualified academics, have been greatly weakened in addressing these priorities.

V. Concluding Remarks

Consideration of the questions raised in this paper illustrates the complexity of the subject of business ethics. Businesses vie for clients and try to win in the struggle with their competition. But even the law places limits on too aggressive competition, i.e. rules against unfair competition which in France prohibit stealing a significant number of employees of a competitor so the competitor's business is seriously disorganized. Being ethical in business is

a difficult exercise in weighing the business interests required to survive and prosper against current or improving ethical principles, which, some believe, are being more and more enforced by the free market system.

Building corporate social responsibility into mainstream management theory and practice is now necessary if our society is to improve but it complicates the job for management because ethical expectations are now higher for businessmen and their ethical obligations are not always clear. Ethical conduct needs to be based on a case by case study of particular situations. The primary duty of business remains, nevertheless, to maximize profit for their shareholders otherwise it will cease to exist.

Despite these difficulties, the public now more and more expects the private sector to fulfill its ethical and environmental obligations because it has become a most important actor in modern society with a direct and serious impact on the public interest. Public opinion expects it to produce a good result in all three of its balance sheets – financial success, ethics, social justice and sustainable development.

It is critical to find some way to raise the ethical level of conduct in business more rapidly. However, for the moment, the traditional measures – the fear of punishment and the negative economic effects of conduct that is generally rejected by the community within which the businessman operates – appear to have some effect although it is difficult to measure. More creative effort will need to be made to invent market mechanisms which will shape the market so it will, through the profit motive, motivate ethical conduct by making ethical conduct lead to more profits and/or punish unethical conduct. There are forces which exist today that help public opinion do this, such as criticism in the press, a growing body of literature militating for more ethical conduct and environmentally cleaner companies. Ethical funds facilitate raising capital for the most ethical and those who avoid damaging the environment. Lawyers file lawsuits for governments, NGOs and others against unethical companies where a legal cause of action exists. So many groups are putting pressure in various forms on companies whose ethics are substandard. In addition, some businessmen have a highly developed sense of ethics and operate their business in accordance with their personal ethical rules. Producing more businessmen with this quality is slow work since it depends upon the complex and long-term influence of family, culture, religion, education and the level of the moral democratic and economic development of a country.

Last but not least, academic research which is objective, of high technical calibre and focused on relevant issues of current importance to the private sector can play a critical role in helping to evidence the evolution of Business Ethics. There is no single answer to increasing the ethical and social contributions of business to human welfare. However, if academic research can investigate both good practice and analyze the nature and consequences of malpractice, this constitutes a service to society at large and demonstrates that higher education is indeed a public good.

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