ABSTRACT

Ethics is a branch of philosophy that addresses questions about morality and it is the very important subject for all people. There are two levels of ethics; theoretical and applied ethics. Business ethics is one of the important branches of the applied ethics. In this paper, I will try to discuss some of the major ethical philosophies that are applied to business ethics such as teleological ethics, utilitarianism, egoism, deontological ethics etc. These ethical philosophies have their positive and negative sides. The aim of this study is to expose which ethical approach is appropriated in business. Individual and situational factors are very effective on ethical decision-making in business. Therefore, it can be concluded that ethics in business is very complicated.

Key Words: Ethics, business ethics, ethical approaches, philosophy.

1. INTRODUCTION

Ethics is one of the important branches of philosophy. The roots of the ethics go back to Ancient Greek. Although the original meaning of the term “ethics” is character, custom; today ethics means the principles of conduct. Many ethical areas appeared under the name of Applied Ethics. Applied ethics examines the particular ethical issues of private and public life. Business ethics is one of the important branches of applied ethics. The subjects of business ethics are some ethical principles and moral problems that arise in a business environment.

Solomon distinguishes three levels of business ethics: micro, macro and molar. “The micro level concerns the rules for fair exchange between two individuals, the macro level concerns the institutional or cultural rules of commerce for an entire society (the business world), the molar level concerns the basic unit of commerce today-corporation” (Solomon, 2002, p. 359).

Almost all people want to live in a good society, so people worry about ethics. Business is also related to both individual and society. Individual behavior is central to the business life and ethical principles have an important influence on individual behavior. Therefore, it can be claimed that ethics has also influence on business area. Today, many companies have ethical codes. This shows the importance of ethics in business life.

2. ETHICAL THEORIES
Ethical theories arise in different context, so they address different problems. They also represent some ethical principles. There are many ethical theories, but I will only discuss two of them. In general, it can be claimed that there are two major kinds of ethical theories: teleological and deontological ethical theories. I will discuss these theories. Teleological theories are interested in consequences, while deontological theories are interested in duty. Let us discuss these theories.

**Teleological Theories- Utilitarianism**

The most common teleological theories of ethics are egoism and utilitarianism. Both of them focus on the consequences of an action. However, there is a difference between utilitarianism and egoism. While the consequences to one’s self define actions as ethical or unethical in egoism, in utilitarianism the consequences to others define actions as ethical or not.

Utilitarianism can be summed up by the phrase, “the greatest good for the greatest number”. According to utilitarianism, actions should be evaluated by their consequences. Therefore, these theories are also called consequentialism. The founder of classical utilitarianism is Jeremy Bentham. Bentham’s moral theory is based on his understanding of human nature. Human beings always try to avoid pains and seek pleasures. This kind of moral behavior is also called hedonism. Hedonism equates good with pleasure. Bentham’s theory is based on utility principle, “the greatest good for the greatest number of people” and egoism. According to utilitarianism; “An action is right from an ethical point of view if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place” (Velasquez, 2001, p. 8). It can be found Bentham’s definition of utility in the following quotation:

> By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness or to prevent the happening of mischief, pain, evil, or unhappiness to the party whose interest is considered: if that party be the community in general, then the happiness of the community; if a particular individual, then the happiness of that individual. (Bentham, 1907)

Bentham calls pain and pleasures as interesting perceptions. He proposes 14 pleasures and 12 pains. These pleasures are: the pleasures of sense, wealth, skill, amity, a good name, power, piety, benevolence, malevolence, memory, imagination, expectation, association, and relief. The simple pains are as follows: the pains of privation, the senses, awkwardness, enmity, an ill name, piety, benevolence, malevolence, the memory, the imagination, expectation, and the pains dependent on association.

Bentham also suggests a procedure for estimating the moral status of any action; this is called “hedonistic calculus” or “felicific calculus”. This calculus include seven criteria, these are as follows: (http://en.wikipedia.org/wiki/Felicific_calculus)

1-Intensity: How strong is the pleasure?
2-Duration: How long will the pleasure last?
3-Certainty or uncertainty: How likely or unlikely is that the pleasure will occur?
4-Propinquity or remoteness: How soon will the pleasures will occur?
5- Fecundity: The probability that the action will be followed by sensations of the same kind.

6- Purity: The probability that it will not be followed by sensations of the opposite kind.

7- Extent: How many people will be affected?

Utilitarian theories are divided into two types over the issue that “how the judgment is made that a particular act is of relative maximum utility or relative minimum disutility” (Hull, 1979, p. 2). These two types of utilitarianism are called; act utilitarianism and rule utilitarianism.

According to act utilitarianism; an act is morally right if and only if it maximizes utility. In deciding to act, the act utilitarian will:

1- set out all the relevant alternative acts that are open to him or her.
2- list all the individuals who will be affected by the alternative courses of action, including oneself is affected;
3- assess how the individuals will be affected by the alternative acts, computing the balance of benefit to harm for each individual affected by each act; and
4- choose that act which maximizes utility, i.e., which results in the greatest total balance of benefit to harm (Snoeyenbos, 2002, p.17-18).

Act utilitarians are concerned long-term benefit to harm ratios. Act utilitarianism also provides the cost-benefit analysis, so it is attractive to businessperson. According to act utilitarianism, following some rules has utility in one society, but in another society has disutility. For example, bribery is always prohibited. However, following the rule “never bribe” has utility in some society, but not the following the rule has utility in another society. Consequently, when utility maximization requires breaking some rules, it is ethical for act utilitarianism.

Act utilitarianism provides a basis for economic and social policy. Assuming that

1- value is based on preference and is measurable
2- price is the exchange value of one good in terms of another, and
3- the “rational economic person” will act to maximize his or her own self-interest (i.e. his or her own utility). (Snoeyenbos, 2002, p, 23).

Another type of utilitarianism is rule utilitarianism. Utility maximization and rules play a central role in rule utilitarianism. According to rule utilitarianism, actions are judged as ethical or unethical based on the rules that lead to the greatest good. The difference between act utilitarianism and rule utilitarianism is that act utilitarianism holds that the consequences of an action, while rule utilitarianism holds that the conformity to rules of an action. Rule utilitarians believe that if a rule brings the greatest good, this rule is correct. It may be right to obey the rule for rule utilitarians. Thus, in rule utilitarianism actions are to be tested by rules and rules by their consequences.

It can be said that utilitarianism can be applied in business life. However, there are also some problems with utilitarianism. These problems are;
1-Difficulties encountered measuring.
2-Some benefits and costs seem intractable to measurement.
3-Because many of the benefits and costs of an action cannot easily be predicted, they also cannot be adequately measured.
4-It is unclear exactly what is to count as a benefit and what is to count as a cost.
5-The assumption that all goods are measurable implies that all goods can be traded for equivalents of each other. (Velasquez, 2001, p. 9).

Deontological Theories- Kantian Ethics

Deontological theories of ethics are different from utilitarian theories of ethics. According to deontological theories; although the consequence of an act is good, some acts are always wrong. In deontological theories actions are judged as ethical or unethical based on duty or the intentions of an actor. The most important defender of deontological ethics is Immanuel Kant.

Kant’s ethical theory includes duty for the sake of duty without regard to human happiness. Kant describes duty as “the action which is objectively practical according to this law and excludes inclination from its determining grounds is called duty” (Kant, 1956, p. 83).

Kant mentions only two kinds of action, having acted according to duty and from duty. “The former, legality, is possible even if inclinations alone are the determining grounds of the will, but the latter, morality or moral worth, can be conceded only where the action occurs from duty, i.e., merely for the sake of the law” (Kant, 1956, p. 84).

Kant distinguishes two kinds of imperatives, hypothetical and categorical imperatives. Hypothetical imperatives are conditional. For example, “if you want to achieve X, you should do Y”. Categorical imperatives are unconditional and they must be obeyed under any conditions. For example, “You should do Y”. There are several formulas of categorical imperative; three of them are called under the name of universal law of nature formula “act only according to the maxim whereby you can at the same time will that it should become a universal law”, humanity formula “act in such a way that you treat humanity, whether in your own person or in the person of another, always at the same time as an end and never simply as a means” and the kingdom ends formula “So act as if you were a member of an ideal kingdom of ends in which you were both subject and sovereign at the same time.”

According to Kant, every action has a maxim. Maxim means rule or principle. He says, “So act that the maxim of your will could always hold at the same time as principle establishing universal law” (Kant, 1956, p. 30). He tries to provide a universal law that is true under any circumstances for everyone.

It can be concluded that deontological ethics based on Kantian ethics emphasizes a universal morality. The principle of deontological ethics can be summed up by the phrase, “treat others as you would be treated”. According to Kantian ethics, if an action passes the test of categorical imperative, the action is ethical.
It can be claimed that categorical imperative rules out some certain practices such as theft, fraud, coercion and so on in business life. If Kantian maxims are accepted in business, there will be no ethical problem in business. The formulation of Kant’s categorical imperative can be summarized as “respect for person principle”. This principle constitutes the basic element of business ethics. On the other hand, Kantian business ethics is not simply a matter following the demands of the categorical imperative. If Kantian ethics can be applied in business life, it provides universal peace in business world.

3. CONCLUSION

Ethics has very important place in all our life. Therefore, in business life ethics has also important place and ethics is a significant concern for many companies. A business manager has responsibilities for their workers, their customers, their shareholders, their competitors, laws, society and environment. To perform these responsibilities, a business manager must make decisions within a moral framework. The subject of business ethics is to determine what one ought to be doing, when one is doing business. Therefore, it can be claimed that the task of business ethics is to say which actions are good in business life.

All the theories applied to the area of business ethics have been normative. Therefore, I have begun with a discussion of the two major normative ethical theories in moral philosophy. These are teleological (Utilitarianism) and deontological (Kantian Ethics) ethical theories. The fundamental difference between them is that while teleological theories focus on the consequence of an action, deontological theories focus on the intention of an individual.

In concluding, both utilitarianism and Kantian ethics have important implications in business world. Therefore, both of them can be applied in business ethics. However, both utilitarianism and Kantian ethics have also some problems.

It is said that act utilitarianism is concerned long term benefit to harm ratios and also provides the cost-benefit analysis. The cost-benefit analysis is important in business. Therefore, it can be claimed that utilitarian cost-benefit analysis is the best way to evaluate the morality of a business decision. On the other hand, Kant’s categorical imperative rules out some certain practices such as theft, fraud, coercion and so on in business life. In addition, the formulation of Kant’s categorical imperative constitutes the basic element of business ethics. However, it is said that Kantian business ethics is not simply a matter following the demands of the categorical imperative. Therefore, it is difficult to apply these demands to business life. It can be concluded that utilitarian ethics is more applicable to business ethics than Kantian ethics, because the aim of business is to gain benefit. The fundamental feature of utilitarianism is to maximize utility.
REFERENCES


