

#### 4. A Threefold Normative Ethical Approach to Business Ethics<sup>2</sup>

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##### **Abstract**

This paper explores the applicability of a threefold normative ethical approach to business ethics. Unethical practices by some business organizations erodes the trust of stakeholders that may have direct stakes in the firm's success. The field of business ethics lacks a comprehensive normative ethical theory that can help business persons develop moral trustworthiness and also offer answers to all moral challenges and questions arising from the business world. The paper argues that a threefold normative ethical theory will provide the ethical framework for creating workable business ethics if business persons follow the prescriptions and fundamental assumptions of the normative ethical theory. These prescriptions can be grouped into three main standards: consequences, duties, and virtues. It concludes that there are three key components that business persons should observe to operate within acceptable ethical boundaries, which are the greatest good, respect for human persons, and moral virtues.

**Keywords:** Business ethics, Duties, Greatest good, Moral trustworthiness, Virtues

##### **Introduction**

This paper aims to explore the applicability of a threefold normative ethical approach to business ethics. Businesses are the foundation of any economy. The main goal of any business organization is to earn profit by providing what the customers need. Profit is no doubt the reward for business persons' efforts and risks in providing products and services that customers need. Businesses help to create jobs in the society and they pay taxes that support social institutions and government. However, ethically earning profit speaks of the essence and concern of ethics in business; profits must be earned ethically for the good of stakeholders in business. The concept "stakeholder" has been termed to include "any group or individual who can affect or is affected by the achievement of the organization's purpose" (Freeman, 1984:53). This suggests that a stakeholder is any group or individual that has a direct stake in the business organization such as employees, customers, investors (shareholders), creditors, competitors, suppliers, government regulators, and local communities.

Business organizations can hardly continue to exist without the trust of these stakeholders because these groups have stakes in the success and outcomes of the business. To achieve, maintain and sustain profitability, business organizations have found that "they must produce quality products, operate efficiently, and be socially responsible and ethical in dealing with customers, employees, investors, government regulators, and the community" (Ferrell, Hirt and Ferrell, 2019:3). It would be difficult for a business that is trust deficit to attract these stakeholders. A trustworthy business, in contrast, would effortlessly attract these stakeholders

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for the common good. Trust is the value on which business cooperations and relationships are built and the success of a business is directly related to the trustworthiness of the business concerned (Shaw 1997). The trustworthiness of a business can be divided into some areas, including social, economic and moral trustworthiness. A business firm's moral trustworthiness relates to the question of interests and how the firm morally balances conflicting interests in its relationship with the stakeholders. Like any other kind of business trustworthiness, the moral trustworthiness of a firm can be developed. Business ethics is an aspect of applied ethics that concerns itself with advancing and encouraging ethical principles in business and how these principles affect the conduct of business firms in their relationship with stakeholders.

The need for normative ethical theory to provide guidance in evaluating ethical issues and dilemmas is specifically urgent in business. Normative approaches to ethics identify moral principles and methods of moral reasoning that justify judgement of what is right and wrong; normative business ethics is concerned with prescribing what business persons or managers ought to do when faced with an ethical issue. To determine what is morally acceptable and desirable in a given situation in the business world, business ethicists have sought to develop frameworks for applying classical ethical theories to business dilemmas. These ethical theories include consequentialism (Hinman 2003; Buchanan 1988), deontological ethics (Bowie 2017; Evan and Freeman 1988), virtue ethics (Solomon 1992; Okpo 2020). Consequentialism evaluates the consequences of our actions, deontological ethics evaluates the action itself, and virtue ethics evaluates the moral character of the individual. Each of these ethical theories incorporates foundational principles as a basis for moral guidance. Proponents of individual theories argue for their advantage in dealing with at least a defined class of ethical problems and issues in business. However, there is no single ethical approach that can claim to offer answers to all the issues, problems and questions that arise in business practice. To this end, this paper is an attempt to integrate the three normative ethical theories into one known as a threefold normative ethical theory and how this theory can help business persons develop moral trustworthiness in their relationships with stakeholders.

### **Definition of Business Ethics**

The term 'business' connotes activities that involve the production, distribution and exchange of goods for economic purposes, primary among which is the generation of profit. Business, according to Ferrell and Hirt (1993), refers to "both the activities and the individuals or organizations that seek a profit by providing products that satisfy the needs of society (4). In the same vein, Brown and Clow assert that "business is any activity that seeks profit by providing goods or services to others" (2003:9). These definitions of business suggest that business exists in order to make profit by providing goods and services that its customers want or need. The term 'ethics' is concerned with the morality of human conduct. DeGeorge asserts that:

Morality is a term used to cover those practices and activities that are considered importantly right and wrong, the rules which govern those activities, and the values that are embedded, fostered, or pursued by those activities and practices. The morality of a society is related to its mores or the customs accepted by a society or group as being the right and wrong ways to act, as well as to the laws of a society which add legal prohibitions and sanctions to many activities considered to be immoral (1982:13-15).

On the same line, Taylor (1975:1) sees ethics as an "inquiry into the nature and grounds of morality", where morality means "moral judgements, standards, and rules of conduct". From the above definitions of ethics, we see that the term ethics is used interchangeably with morals.

They both connote customs, habits, and accepted ways of behaviour of an individual or a community. Ethics deals with the way things ought to be, the way human beings ought to behave and what human beings ought to do. It is concerned with accepted standards of human actions and conduct.

From the above definitions of both business and ethics, we can deduce that both terms are concerned with human relationships. To this end, business ethics can be defined as an inquiry into the nature and grounds of moral judgements, standards, and rules of conduct relating to business decisions and business relationships with stakeholders. Business ethics is a set of moral standards that depict the conduct that is expected in the field of business. One vital concern is with the kinds of obligations and responsibilities that business persons and firms have to their different stakeholders. It also raises central questions that contain ethical issues, problems and dilemmas in the world of business.

### **The Search for Normative Ethical Foundation for Business**

Reviews of normative business ethics literature show that business ethicists have developed frameworks for applying the three traditional ethical theories to business dilemmas. These ethical theories include: consequentialism (utilitarianism), deontology (Kantian ethics), and virtue ethics. These works include utilitarianism (Buchanan 1988; Jensen 2002), Kantian ethics (Bowie and Duska 1990; Bowie 2017), and virtue ethics (McCracken and Shaw 1995; Whetstone 2001; Oakley and Cocking 2003; Moore 2005). Each of these ethical theories incorporates primary moral principle as a basis for moral guidance in the world of business. These three major normative ethical theories were employed to set rules that regulate human conduct in business; these theories focus on a set of standards and principles or a set of moral character traits that human beings in business are expected to possess.

One of the core distinctions within ethics is whether an act is judged in terms of intrinsic rightness or in terms of the consequences that it has. Consequentialism maintains that correct actions are ones that maximize the overall good or minimize the overall harm. Rossouw (1994) elucidates the nature of the consequentialism theory as follows:

Consequence-oriented theories emphasize that we should look at the possible consequences or practical implications of our intended actions to determine whether an action is right or wrong. If the bad consequences outweigh the good ones, the proposed action should be abandoned and it should be regarded as morally wrong. Should the good consequence outweigh the bad ones, however, the proposed action can be considered morally permissible (15-16).

This suggests that, for the consequentialists, the moral worth of conduct is determined by its consequences. It is the goodness or badness of an action's consequences that determine its rightness or wrongness. In philosophical ethics, many normative ethical theories belong to this classical ethical theory family. This paper is interested in one major version of consequentialism known as utilitarianism.

Utilitarianism as an ethical theory is traceable to Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873). This ethical theory is based on the principle of utility, the principle of the greatest good, or the principle of the greatest happiness. For the utilitarian, utility is the moral standard; it is the criterion by which good actions are distinguished from bad actions. By utility, the utilitarian means benefit, advantage, pleasure, good or happiness (Bentham 1991). Mill (1992) sees utilitarianism as:

The creed which accepts as the foundation of morals, Utility or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness; wrong as they tend to produce the reverse of happiness. By

happiness is intended pleasure, and the absence of pain; by unhappiness, pain and the privation of pleasure (118).

It is clear that utilitarianism is concerned with consequences, but the utilitarian pursues the greatest good for the greatest number of people that would be affected by a decision. The aim of ethics for the utilitarian is to promote human welfare by minimizing harm and maximizing the good for the greatest number of persons. There is a distinction between rule-utilitarians and act-utilitarians. The latter judge the individual actions of a particular person or group while the former analyze the results of adopting particular sets of rules on the general good. In other words, act-utilitarianism is concerned with specific actions while rule-utilitarianism is concerned with rules.

Utilitarianism seems a viable ethical approach to deciding what to do: evaluate alternative possibilities in terms of which will have the best consequences. Nevertheless, it has many limitations. It can be argued that “utilitarianism justifies – and perhaps even demands – acts which seem to us to be unjust or immoral. Another way of expressing this objection to utilitarianism is to claim that people have rights which ought not to be violated even when doing so results in a greater total of good” (Okpo 2023:61). For instance, consider a business firm in United States of America marketing harmful pesticides, banned in the United States, to less developed countries in Africa. A utilitarian might be comfortable balancing the “cost” of possible deaths caused by the marketing of these pesticides overseas against the “benefits” of jobs retained in the United States. To this end, utilitarianism’s failure to take rights into account indicates that the rightness of an action does not depend solely upon its consequences for the moral agent or others.

Deontology (duty-based) ethical approaches avoid some of the limitations found with utilitarianism by establishing clear duties and obligations, often based on some rational yardsticks or postulations regarding the nature of man. This ethical approach considers duty, or doing what is right for its own sake, as the basis of morality. Deontology as an ethical theory moves the judgement from the consequences of an act to the act itself; actions are to be seen as morally right or wrong, just or unjust, in themselves regardless of their consequences. One of the major versions of deontological theories is Kantian ethics. Immanuel Kant believes that respecting the human person and motive matters more than results or consequences in moral discussions. Kant (1990) argues that imperatives; the statements that we should or ought to do certain things, are of two types: hypothetical and categorical imperatives. Hypothetical imperative is conditional imperative which requires an individual to do something which is a means to an end: “If you want to become a medical doctor then you must go to medical school”. Categorical imperative enjoins actions not as means to ends but as good in themselves. They are acts which an individual knows intuitively to be right over and above an individual’s personal inclinations on the basis of reason and rationality; categorical imperatives are unconditional. The categorical imperative of Kant has two formulations.

Kant proposes that there is only one genuine categorical imperative to which all more specific maxims of actions must conform and that is “I ought never to act in such a way that I could not also will that my maxim should be a universal law” (1990:18). Hence, one of Kant’s formulations of the categorical imperative is “act on the maxim which you can will to be a universal law”. For Kant, the yardstick for distinguishing right from wrong actions is the principle of universalization. For instance, if a business person wants to know whether the action, he/she intends to perform is morally right or wrong, he/she should look at the action’s underlying principle (i.e., the maxim) and universalize it. In the second formulation, Kant focuses his attention on the rights of human beings. Kant asserts that “act so that you treat humanity, whether in your person or in that of another, always as an end and never as a means

only” (46). Taken together, these two formulations can be used as a test of maxims of action: does a maxim treat human beings as ends in themselves? And can it be universalized to all humans?

One advantage of Kant’s categorical imperative is that it encourages the furtherance of a mutual relationship between the business firm and its stakeholders. It accords well with our ideas of business organization’s duty and responsibility toward its stakeholders. Even though it offers some meaningful advantages over utilitarianism, Kant’s ethical theory is not without its limitations. Kantian ethics fails to take into consideration that duties can conflict, and it also fails to suggest a framework for resolving such conflicts.

Virtue ethics has a very long history dating back to Aristotle’s notion of the virtuous life. Whereas consequentialism (utilitarianism) sees actions in terms of their estimated consequences or results and deontology (Kantian ethics) sees actions in terms of a duty to behave properly, virtue ethics is concerned with individuals developing ways of behaving that would naturally lead to the well-being of both the person and the community or society. Virtue ethics is “an approach in normative ethics that underscores the virtues or moral character of the moral agent” (Okpo 2023:65). It offers a different understanding of what ethics is concerned with. It is thought to provide a much better understanding of humans’ moral lives: what it is humans strive to be pursuing in the moral life and why the moral life is important to humans (Waluchow 2003). A more appropriate approach to ethics, according to virtue ethicists, would take the virtues such as honesty, courage, temperance, integrity, compassion, and self-control and the vices such as dishonesty, ruthlessness, greed, lack of integrity, cowardliness as the fundamental starting points for ethical reasoning (Velasquez 2014). Because of its focus on moral character, virtue ethics is primarily concerned with answering such questions as: “How should I live?”, “What is the good life?”, “What should I be?”, and “What sort of person must I become to be able to do the right thing?”

Aristotle (1996) upheld the principle of the Golden Mean. He is of the view that virtue lies between two extremes. Virtue is a mean between excess and defect. For instance, courage is a mean between cowardice and recklessness; self-control is a mean between insensitivity and self-indulgence, and so on. These extremes correspond with particular vices associated with character. These moral virtues are the product of habit; a person becomes virtuous by doing virtuous acts. There is one virtue that underlies the others and that is what Aristotle called *phronesis*, which can be translated as prudence, wisdom, or judgement. Practical wisdom can be seen as the moral insight of a virtuous person by which the right course of action in any given situation can be known; only a virtuous person can be a man/woman of practical wisdom and he/she acquires and develops it through experience (Omogbe 1993). Aristotle’s virtue ethics is not without its limitations and objections. It has been “accused of being a theory, not of helpful moral guidance, but of unhelpful and non-specific moral platitudes” (Dimmock and Fisher 2017:58). It is obvious from our discussion of the three major traditional normative ethical theories that each of them has some positive aspects to contribute to regulating the behaviour of business persons in the business. It is likewise clear that no particular normative ethical theory has the answer to the complex requirements of business ethics; there is no single ethical approach that can claim to offer answers to all the ethical issues, problems and questions arising from business relationships between business firms and their stakeholders. We now turn to explore a threefold normative ethical approach to business ethics.

### **A Threefold Normative Ethical Approach to Business Ethics**

The continuous existence of a business firm is dependent on its ability to achieve, maintain and sustain profitability. Profits are direct function of the trustworthiness of a business

firm because trust is the foundation upon which its relationships with stakeholders are built. Trust, which is vital for the successful collaboration and long-term partnership and relationship of business firms with their stakeholders, is directly linked to the moral integrity of the business organization. The moral trustworthiness of a business firm is crucial to its success and outcome in both the short term and long term. To this end, the ethical foundation of business ethics needs to be restructured on the positive strength of each of the three traditional normative ethical theories: consequentialism (greatest good), deontology (respect for the human person), and virtue ethics (moral virtues).

From our discussion of the three normative ethical theories in the preceding section, the consequentialism normative ethical theories hold that it is the results or consequences of actions that determine the rightness or wrongness of such actions. One major version of consequentialism is utilitarianism. The essence of ethics for the utilitarian is to promote human welfare by minimizing harm and maximizing the good for the greatest number of people. There is no doubt that the consequences of action play an important part in deciding whether that action is right or wrong. Deontology, on the other hand, sees the rightness or wrongness of an action in terms of a duty or obligation to respect the rights and values of people. Immanuel Kant, one of the most famous deontologists, holds that it is our duty as moral agents to perform right actions. He focuses his attention on the rights of human beings. By his categorical imperative, he has made it clear that lying is bad and it constitutes a breach of trust. Both consequentialism and deontology theories are concerned with principles and standards for evaluating the rightness and wrongness of actions. Virtue ethics as a normative ethical theory is mainly concerned with the kinds of character that human beings should develop. Virtue ethics emphasizes the moral agent's character and virtues rather than duties and rules, or the consequences of actions. From these three normative ethical theories, the ethical foundation of business ethics could be restructured on these three notions: greatest good, human dignity (respect for the human person), and moral virtues (Okpo 2023).

The greatest good as an ethical foundation of business ethics can be understood given the fact that humans are social beings. Greatest good implies all good to more than a person. Business firms are expected to recognize the nature and importance of their relationships with stakeholders. This is necessary for the existence and survival of any business organization. The business organization is expected to produce services and products and conduct its activities for the public good, as its means to achieve patronage and profit. Concerning human dignity, it can be maintained that preserving human dignity should be considered the foundation of any business interaction with its stakeholders. Stakeholders should be treated as an end rather than as a means to an end in line with Kantian ethics. Consequently, respect for stakeholders in a business setting is essential to the meaning of being ethical as a business person. Every unethical business practice treats stakeholders as a means to achieve profit and no consideration is given to the sustainability of the relationships with stakeholders. What is more, the ethical foundation of business ethics is incomplete without the notion of moral virtue. Business persons are expected to act virtuously in their relationships with their stakeholders. A virtuous act such as honesty, integrity, fairness, truthfulness, or trustworthiness benefits not just the business person, but every stakeholder. On the other hand, a vicious act such as lying, dishonesty, greed, or deception in business does not promote either the public good or a firm's good.

Each of the three normative ethical theories has something to contribute to business ethics. There is a need to harness their different strength, and then integrate and harmonize their positive strength into a workable whole. A threefold normative ethical approach, according to Okpo (2023), "seeks to examine the different viewpoints and then see how professionals can

eventually harmonize the whole by considering their positive aspects” (71). Hence, the integration of utilitarian ethics, Kantian duty ethics and virtue ethics provides the ethical framework for engendering viable business ethics if the positive prescriptions and fundamental assumptions of these normative ethical theories are followed by business managers. Okpo (2023) identifies three main tenets as the prescriptions of a threefold normative ethical theory: consequences, duties and virtues.

Consequences perform a function in the application of moral principles from a threefold normative ethical approach to business ethics. It is the view of this approach that a business manager need to take into account, the consequences of his/her actions when making moral choices. However, it should be noted that consequences do not make an action right or wrong. A business manager is expected to be disciplined and cautious before taking action that would affect stakeholders. In other words, the business person is expected to take into consideration the consequences of his/her action cautiously before making decisions. The business manager is expected to think about what to do to avoid grave consequences to the greatest number of stakeholders if not all. The second tenet of the threefold normative ethical approach is the idea of the sense of duty. Business managers must always act from a sense of duty, that is, doing what is expected of them from the position of a good motive. A sense of duty is necessary for the moral trustworthiness of any business organization and the ethical development of the business managers and employees. No business organization can succeed or sustain profits if its managers and employees lack a sense of duty or do not take the sense of duty seriously: duties of right actions.

The third tenet is virtues. Virtues have a place in business because of the way individual stakeholders fulfil their roles as employees, shareholders, customers and members of society. There are moral virtues needed for a flourishing business enterprise such virtues as honesty, trustworthiness, integrity, fairness, and truthfulness among others. Business managers and their employees need to make these moral virtues their guiding principles in their business transactions. The tenet of virtues emphasizes the kind of person a business manager is. A virtuous act is something that a virtuous business manager does and a virtuous manager has a sure moral character: a set of virtues rather than vices. The goal of virtues in business is to promote ethical behaviour for the public good and the business firm’s good. For instance, a dishonest business manager can hardly promote public good or business good. Dishonesty is a form of lying, deception, falsehood, and distorting the truth in business relationships and communication. Unarguably, a dishonest business manager will cheat and steal. Hence, a vicious act contributes to the breakdown of business relationships and business as a whole. On the other hand, a virtuous business manager shows personal integrity and the tenacity of his/her conviction by doing what he/she thinks is right even when there are pressures to do otherwise.

## Conclusion

We have attempted within the limited scope of this paper to show that each of the traditional normative ethical theories offer business managers inadequate basis for resolving moral issues with which they are faced in their relationships with stakeholders. In the business world, moral integrity is indispensable. It is the foundation upon which fruitful, positive and enduring relationships with stakeholders are built. Business organizations can hardly exist without the trust of the stakeholders. Profits must be earned ethically for the greatest good of stakeholders in business; profits are direct function of the trustworthiness of a business firm because trust is the foundation upon which its relationships with stakeholders are built. The threefold normative ethical theory prescriptions can help business persons develop moral trustworthiness in their relationships with their stakeholders.

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