From self interest to public interest: Promoting higher levels of business ethics

Nirmala Dorasamy

While there has been widespread acknowledgement of the importance of business ethics, it is evident that many businesses still conduct themselves unethically. This paper adapts Lawrence Kohlberg's study on moral development to provide insight into the different levels of impact that self interest and public interest may have on promoting higher levels of business ethics. By drawing on Kohlberg's stages of moral development, an attempt is made to show the importance of public interest in promoting higher levels of business ethics. Attention is devoted to the capacity of businesses driven by public interest over self interest in curbing unethical conduct. While some may argue that businesses are notably motivated by self interest, there is also evidence that businesses also act for moral purposes primarily out of concern for the public. It is suggested that at stage 2 of the preconventional level of cognitive moral development which can be associated with self interest, business ethics is promoted at a lower level. However, at stage 4 of the conventional level which can be associated with public interest, business ethics is promoted at a higher level.

Key words: Ethics, moral development, public interest, self interest.

INTRODUCTION

Concern for ethics and morality in business is a growing phenomenon. There is both theoretical argument and empirical evidence to support the claim that morals and ethics have an impact on conduct in the business world. Despite widespread acknowledgement of the importance of business ethics, many businesses still conduct themselves unethically. It is suggested that higher levels of business ethics can be promoted, especially when public interest is given priority over self interest. However, it is possible that businesses which are ethical can engage in moral judgements based on what is morally correct either for purposes of self interest or in the interest of the public. This paper draws on Kohlberg's stages of moral thinking to provide an insight into the impact of self interest and public interest in promoting different levels of business ethics. This article attempts to show that businesses can promote higher levels of business ethics by focusing on public interest. This is evidenced in the case of businesses like Johnson and Johnson which showed a higher level of ethics when compared to Kohlberg's stages of moral development by placing public interest above self interest. A business can be considered as being ethical either to simply avoid harm or to respect authority and the laws of society so that the general welfare of society is maintained.

It can be argued that businesses that are concerned with ethics to avoid harm are instrumentally motivated for being ethical. The motivation for being ethical is to promote self interest. On the other hand, businesses that are concerned with ethics for the common good of the society are doing what is right out of a sense of good will. Here the motivation for being ethical is to promote public interest. It is suggested that ethics motivated by self interest will not promote a higher level of business ethics compared to ethics promoted by public interest.

Being ethical because it is the right thing to do in the interest of society, entails doing it for the right reason as well. The motive is beyond self interest, thereby reflecting a higher level of ethical reasoning.

KOHLMBERG AND MORAL DEVELOPMENT

Lawrence Kohlberg developed a theory of progressive moral development represented in six stages that have since become the basis for much of the literature surrounding moral development. Kohlberg viewed moral development as an increasing potential within the indivi-
dual to recognise and give effect to the perspective of both oneself and of others when engaging in moral reasoning (Ferrell et al., 2004). The stages in moral development lead to the goal of moral reasoning and action based upon universal ethical principles. The progression to higher levels of moral reasoning is seen as the product of personally constructed meanings of morality based on experience (Kohlberg, 1981). Accordingly, this view does not see moral development unfolding as a result of a genetic process or as a product of socialization. The six stages are briefly summarised below within the context of business (Crain, 2000):

1. Pre-conventional morality comprises of stages 1 and 2. Stage 1 features obedience and punishment orientation. At this stage it is assumed that fixed rules by authorities must be unquestioningly obeyed. The concern is with consequences and punishment. Morality is seen as external to the individual. Stage 2 is considered as the individualism and exchange stage. At this stage it is recognised that different businesses have different viewpoints. Since everything is relative, each business is free to pursue its individual interest. At stage 2, punishment is simply a risk that one wants to avoid. Businesses at stage 2 functions as isolated businesses concerned with “fair exchange” or “fair deals”. There is no identification with the values of the community.

2. Conventional morality is characterised by stages 3 and 4. Stage 3 reflects good interpersonal relationships. At this stage businesses see morality as more than “fair exchange” and believe that people should live up to the expectations of the community by behaving in “good ways”. Good behaviour means having good motives and not only being interested in one’s self. Stage 4 is concerned with maintaining the social order. At this stage, the business is more broadly concerned with society as a whole. The emphasis is on obeying laws, respecting authority and executing one’s responsibilities so that the social order is maintained. Moral decisions are made from the perspective of society as a whole and the function of laws within society.

3. Post-conventional morality is reached at stages 5 and 6. Stage 5 considers social contract and individual rights. Businesses at stage 5 are not merely concerned with a smooth functioning society, but question the rights and values that a society must uphold. While businesses recognise that different social groups within society will have different values, they believe that all rational people want basic rights and democratic processes to change unfair laws and to improve society. The support for morality and rights takes some priority over particular laws. Stage 6 is characterised by a consideration for universal principles. At this stage, businesses are concerned with protecting certain individual rights and settling disputes by democratic processes.

Since democratic processes do not always produce justice, Kohlberg believed that principles must be identified by which justice can be achieved. The principles of justice require everyone to be treated in an unprejudiced manner, respecting the dignity of people as individuals.

In 1975, Kohlberg excluded stage 6 from his manual because he and other researchers found that very few subjects consistently reasoned at this stage. In addition, Kohlberg perceived progression to the post conventional level as ideal (Kohlberg, 1981). For the purpose of this article, stages 2 and 4 will be used in arguing that the stage of moral development will influence the level of moral thought with regard to promoting business ethics. The stages reflect growth in moral development whereby the business’s conception of what is right moves from a self-centred conception to a wider understanding of the role of business in society and the principles of justice and rights.

Stage 2 represents more egocentric thinking compared to stage 4 which requires less specific or concrete thinking. The business at stage 2 is concerned with the ethics of market exchange whereby “good” is considered as whatever is agreeable to the business. The business at stage 4 is influenced by the ethics of law and order. Businesses at stage 4 are less opportunistic whereby their judgements are not based on immediate rewards they experience personally. At stage 2, there is recognition of the moral legitimacy to pursue one’s own interest. The perspective at this stage is to maximise the satisfaction of one’s needs, while minimising negative consequences to the self (Kupperman, 1983). At stage 4, the pursuit of individual interest is considered legitimate only when it is consistent with maximising the satisfaction of society as a whole (Crain, 2000).

Kohlberg’s stages of moral thinking are hierarchically integrated, meaning that an individual does not lose the insights gained from earlier stages but integrates them into new broader frameworks (Crain, 2000). The concept of hierarchic integration explains the direction of the stage sequence (Hoffnung, 1997). Each new stage provides a broader framework for dealing with moral issues. Stage 4 moves beyond the limitations of Stage 2 and becomes more broadly concerned with society as a whole. Kohlberg’s research points to decisions being more ethical as the moral reasoning stages progress to higher levels since stage 4 is more consistent with ethical principles of justice, rights and integrity compared to stage 2 (Modgil and Modgil, 1986). From a business perspective, moral progression is assumed when the business has identified with, or has internalised the rules and expectations of others instead of the individual externalising the rules and expectations of society. It is important to note that Kohlberg’s theory on moral development is predominantly concerned with moral thinking rather than moral action. While Kohlberg proposed that moral action is more consistent and responsible at stage 4 than at stage 2, research support for this hypothesis is not conclusive. It can be stated that overall, research has indicated rather modest links between moral thinking and
action.

MORAL DEVELOPMENT AND ETHICS

Morality indicates what ought and what ought not to be done. The acceptance of what ought and what ought not to be done is not static. It can be asserted that the moral requirements of what is right or wrong is widely recognised in our society is more acceptable now than in earlier societies. In this regard, there may well continue to be moral progress. Changing attitudes toward greater social responsiveness or social responsibility by businesses is a good example of the boundaries of morality moving. For example, in the nineteenth century, society’s main interest was rapid economic growth which was viewed as a source of all progress. However, society in recent times has other concerns such as quality of life to which businesses are expected to make a contribution.

It can be stated that it is important to view moral requirements with a sense of objectivity and to provide a reasoned basis for condemning practices that are morally unacceptable as well as morally acceptable. Some literature view ethics as the judgement of what is of value and how we should behave. Morality then, is part of ethics and moral thinking is a subset of ethical judgements (Kupperman, 1983). In line with common practice, this paper makes no distinction between morality and ethics. In everyday practice we generally interchange ethics and morality to describe people we consider good and reasoning we consider right.

If business, leaders are sensitive to the practice of ethics, then they must have moral standards (Jackling et al., 2007). Moral standards are the basis of ethical conduct. Ethical conduct in business can be considered as that which is consistent with the principles and standards of business practice that have been accepted by society (Trevino and Nelson, 2004). There is much evidence to suggest that businesses can be motivated by ethics because it is the right thing to do in the interest of the welfare of society or they may be interested in being ethical to avoid punishment, and their moral reasoning is guided by protecting their own welfare. Generally, higher levels of moral reasoning are indicative of higher moral standards. The argument of ethicist Josephson (1989) in Trevino and Nelson (2004) that conduct must be judged in terms of what is right and wrong supports the reasoning that to be ethical, is the right thing to do. However, doing the right thing beyond self interest suggests a higher level of moral reasoning.

Kohlberg’s theory of moral development states that as people progress through the three levels of moral development, their capacity to understand the concept of morality and eventually to be able to apply ethical reasoning develops. This means a progression from self interest through appreciation and conformity with the moral values and norms of society to the potential for questioning on ethical grounds of organisational purposes and activity.

For the purpose of this paper the focus is on the preconventional level (stage 2) and the conventional level (stage 4) which more clearly help to support the argument that a business motivated by self interest as reflected in stage 2 will not promote business ethics as much as a business motivated by public interest which is associated with stage 4.

ETHICS AND SELF INTEREST

It is commonly accepted that moral reasoning motivated by self interest can promote ethical behaviour, however there are also good consequentialist reasons why most forms of conduct motivated by self interest are outside the boundaries of morality (Kupperman, 1983). It is acceptable to claim that it is permissible to favour one’s own business interests as part of good business sense. In this sense, doing the right thing is considered good for business from an ethical perspective (Fisher, 2003). Here, acting ethically is considered as an approach to avoid legal and moral problems which may jeopardise the self interest of the business. For example, such businesses may choose to maximise the benefits from ethical policies by advertising them with the expectation of attracting more business.

There are also situations where self interest can promote the interests of others. A business can advance its own interests when it expects that doing so will be reciprocated or that it will promote the interests of others. In this sense, there is acceptance that businesses that strive to be ethical to avoid harm, follow the strategy that “ethics pays” (Chryssides and Kaler, 1999). By ensuring that the benefits and opportunities outweigh the costs, being ethical aids the business to pursue its self interest. It is generally believed that treating suppliers fairly, respecting the rights of employees and being forthright with clients will pay off (Lamond, 2008). Although such a belief gives an adequate reason for being ethical, it is not a conclusive reason. Here, doing the right thing merely as an instrument for benefit shows a lack of motivation for a higher level of moral concern. It can be argued that moral principles should not be followed for their own sake because it is the right thing to do as a means to an end.

Businesses that scramble to sponsor “socially responsible” programmes to improve their public image or to fight off legislative interference are doing good, but they are advancing their self interest (Shaw and Barry, 1998). Such businesses are only acting in the interest of others because it is the only way to promote their own self interest. For example, ‘International Business Machines’ (IBM) policy of donating or selling computers to educational institutions at a lower cost benefits the business by way of tax concessions and increased sales to students who used IBM products on campus. IBM’s motives are
not purely altruistic because its policy is primarily based on benefits to the business (Ferrel et al., 2004).

There are also businesses that conform to the minimum standards that the law and public are prepared to accept (Fisher and Bonn, 2007). It pursues its self interest up to the maximum limits that are ethically acceptable. However, while it can be claimed that such businesses are doing something good like providing jobs, goods and services, its morals are minimal since there is no demonstrated evidence of beneficial deeds that are not incidental to its self interest. It can therefore be claimed that they are not deliberating promoting the common good. In addition, Friedman’s (1993) in Rossouw and van Vuuren (2004) claim that it is acceptable to spend corporate money on social responsibility when a business stands to benefit, is indicative of the business only acting in its own interest under the guise of social responsibility. The business is serving its own interest first while conforming to the basic rules of society. In this regard, Enron’s strong support of the Kyoto Treaty on global warming originally appeared to be a praiseworthy environmental responsibility according to Berlau (2002) in Browne, Meyer and Williamson (2004). Enron was also the owner of one of the world’s largest wind-power suppliers. By supporting or rejecting the treaty, Enron had major financial gains or losses at stake. It can be argued that Enron’s support was based on concern for the bottom line before any real concern for the public.

It can be suggested that business practices that do not go beyond legal or societal welfare are motivated merely by avoiding economic harm to themselves. Such practices do not consider positive duty above economic payoff. While businesses supporting these practices embrace ethical responsibility, their responsibility does not extend beyond justice and stakeholder concerns which can be indicative of a lower level of moral reasoning. Merely complying with the law to avoid punishment raises the question as to whether this is sufficient for higher levels of moral reasoning. The example of apartheid shows that one’s compliance with the law may be in conflict with ethical responsibility. While the law can be an efficient mechanism for avoiding serious harm, it may be inadequate in promoting higher levels of moral reasoning. Businesses with lower levels of moral reasoning tend to respond foremost to self interest. Such businesses may abide by ethics and allow for the wellbeing of others not because their moral reasoning benefits others, but because it helps to achieve some ultimate goal of the business.

ETHICS AND PUBLIC INTEREST

Increased awareness of public interest is considered to be an important ethical issue that challenges businesses in today’s environment. Businesses do not operate in a self-enclosed world. They are part of a social system whose activities can have significant effects throughout society. While society expects businesses to pursue their bottom line interests, businesses are also expected to protect and enhance public interest. Businesses motivated by public interest do not generally support the philosophy of short term profit maximization, corporate self interest and coercive practices within a climate of opportunism and severe performance pressure. Such businesses are motivated by moral reasoning that would produce the highest possible outcome of good for everyone affected ultimately by its actions. It can be claimed that the interests of society reflect the total interests of all its members which includes businesses. Moral reasoning that promotes the greatest possible human welfare strives toward maintaining the social order. Therefore, the duty of business is not merely concerned with profit, but also with the promotion of the most pursued social ends (Shaw and Barry, 1998).

On the other hand, a business that promotes public interest not as a primary motive is then merely engaging in moral reasoning based on the desire to do the right thing for its own sake. A business can claim to promote its own interests and those of others as well. While such a business may be rationalising, it is actually doing what is best for itself and only assuming that it will somehow promote the welfare of others in general (Shaw and Barry, 1998).

Blomstrom (1966) in Weiss (2003) claimed that the ethical thing to do may not always be in the best interest of the business. In such a case, the business may have pursued concern for issues that exceed the self interest motive. This would suggest that good ethics is not only good business, but the business is adopting the moral point of view in all of its interactions with society. Such an approach reflects the preparedness to pay the cost of ethical behaviour which may not be in the best interest of the business. Greater involvement with the social system may influence the business to adhere to social laws and to reason at a higher moral stage which extends beyond its own interest (Knouse et al., 2007).

Any business which explicitly states its core values that are accepted by all, gives clarity to what it stands for. A research survey conducted by Collins and Porras (1997) in Rossouw and van Vuuren (2004) on 18 “visionary” companies found that each company’s success was due to a focus on core values rather than primarily focussing on self interest. It is through the broad core values that the business can communicate its motivation for being ethical. By prioritising integrity, justice and respect, the right thing to do coincides more with public interest rather than self interest. Collins and Porras (1997) in Rossouw and van Vuuren (2004) assert that more ethically responsible business reasoning requires businesses to view themselves as corporate citizens contributing to something beyond merely the bottom line. Since business has a strong ethical interface with society, it has to intrinsically contribute toward maintaining the social
order that makes a difference to society as a primary reason for doing the right thing.

A familiar example of higher moral reasoning is reflected in the approach adopted by Levi Strauss. According to business leader Robert D. Hass (Browne et al., 2004), the business bases its approach to ethics on the ethical principles of honesty, promise keeping, fairness, respect for others and integrity. Levi Strauss’s commitment to sustaining high ethical standards is motivated by ethical principals, ethical concerns of stakeholders and the business’s key values. It is believed that eventually vital commercial benefits can be derived by addressing all three aspects. This view connects with Lloyd’s (1990) in Wilson (1997) argument that the well recognised company becomes more dominant not only because it is more ethical but also because in the long term it is more profitable. A business led by such an approach shows a commitment to a higher level of moral reasoning. Often such businesses generate real commitment to the values and standards implicit in their code of ethics.

A common example of higher moral reasoning underpinning business is that of Johnson and Johnson during its handling of the criminal contamination of its highly profitable Tylenol capsules (Shaw and Barry, 1998). Johnson and Johnson placed public interest above self interest by striving to protect its image of being a socially responsible business. Strategies like unselfish concern, taking quick corrective action and protecting its public image despite its market share dropping to below 7 percent, exhibit a stage of moral reasoning where the business’s responsibility for society is placed above its commitment to the bottom line (Hartley 1993). Johnson and Johnson’s credo emphasises responsibility to people who use their products and services, their employees, the community in which they are operational as well as to their stockholders. The objective of the credo is repeated business and sustainable and mutually beneficial relationships which is contrary to the philosophy of using mechanisms as a means to an end in the pursuit of self interest (Fisher, 2003). This illustrates moral reasoning that extends beyond the bottom line whereby ethics is favoured even when public interest takes precedence over the bottom line. It can be claimed that businesses with high moral reasoning respond to public interest although it maybe in conflict with self interest.

SELF INTEREST, PUBLIC INTEREST AND MORAL REASONING

Self interest and public interest can be considered as a continuum ranging from a self interest orientation involving instrumental reciprocity with particular people, to responsiveness out of a concern for others (Maclagan, 1998). A concern for others can be motivated by a genuine support for the public, while at the same time not neglecting self interest. Such concern is generally guided by moral reasoning that is vital for all rational beings. The implication is not whether the business accepts it, but whether all rational thinking businesses would accept it irrespective of whether they are the doers or the receivers of the actions.

Ethics in business requires more than a mere acknowledgement of what the business is doing, its consequences and complications. Solomon (1994) in Shaw and Barry (1998) mentioned the need for awareness in the following areas as well:

1. It is necessary to comply with the laws of the land, the principles of morality, the expectations of society and general concern for fairness. The concern for ethics can be described as well above the minimal levels expected of all businesses.
2. Business needs to be socially responsible or responsible by providing quality goods and services, employment opportunities and to ensure that its activities are useful to society. Businesses should not merely be satisfied with providing goods and services, but they should also strive for optimal quality at realistic prices.
3. Business activity should not result in consequences both inside and outside the business that negatively impact on the business and general industry.

Solomon (1994) in Shaw and Barry (1998) argued that business is ultimately about relationships between people where the focus should be on compliance with rules which we all form together, our contributions to the wellbeing of others as well as to our own and the effect of our activities. The areas identified by Solomon (1994) in Shaw and Barry (1998) connect ethical behaviour and a business’s public interest while not neglecting its self interest. A concern for compliance, contribution and consequences of business activity reflects on an adherence toward maintaining the social order which is a higher stage of moral development compared to a business merely doing what it is supposed to do in the interest of individualism and exchange. In this regard, Elkington (1997) in Juholin (2004) mentioned the triple bottom line approach where businesses not only just try to avoid breaking moral rules and be motivated by self interest, but that businesses must also take the common good into consideration. The idea is that businesses led by high moral standards should focus on financial security, minimising or eliminating its negative environmental impacts and conforming to societal expectation (Juholin, 2004).

It is unreasonable to expect a business to maximise everyone’s interests or sacrifice its own interest for everyone else’s. However, what is expected is for business to make a contribution where it is reasonable to do so and to do what is right so that it does not negatively affect others. Such moral reasoning does not demand that a business deny its own interest or make sacrifices in the interest of the public.

A business at stage 4 of Kohlberg’s theory would take into consideration and its responsibilities so that the
social order, which is beyond its own bottom line, is maintained. Ethics does not demand a sacrifice of the bottom line but rather advocates sound financial thinking which promotes ethical conduct at a higher level (DesJardins and McCall, 2005). In this regard, Chryssides and Kaler’s (1999) argument that morality serves the interests of individuals only if it is commensurate with the interests of everyone else implies that a business’s self interest must be reconciled with the collective interests of society to serve the common good. A concern for maintaining the social order reflects a higher level of moral reasoning which is additional to self interest. It shows a positive responsibility for doing good which is in contrast to a business just not doing things which society regards as wrong, a situation of passive avoidance.

The debacle of Enron, the largest energy trader in the world, in which the company with the assistance of lawyers, rating agencies, investment bankers and accountants engaged in several private partnerships to conceal Enron’s high debt and inflate its stock price (Trevino and Nelson, 2004) affected employees, shareholders and communities. The Enron case is evidence of moral reasoning that was motivated by self interest and a lower level of moral thinking, thereby failing to promote ethical behaviour.

Given business’s wide interdependence with society, it is therefore not self contained to an extent that it can establish its goals entirely independently of the expectations of society (Holme, 2008). Any business ethic motivated by the sole purpose of allowing profit making distracts attention from crucial societal issues which serve public interest. It can be argued that if business is viewed as a social reality then it should contribute to public interest since society determined the special rights, powers, privileges and benefits for businesses on the understanding that businesses will fulfill their purposes beyond self interest (Shaw and Barry, 1998). Such an expectation requires moral reasoning which is underpinned by an intrinsic motivation to do the right thing. Such an intrinsic motivation can coincide with self interest, but generally it is not the primary reason to promote self interest (Fisher, 2003). In terms of Kohlberg’s theory, the business can be considered as taking the viewpoint of society as a system which defines roles and rules (Kohlberg, 1981). If one has to consider the level of moral reasoning, the business is motivated by doing its duty in society without compromising the social system. At this stage of “social system” conscience maintenance (Kohlberg, 1981: 410), the business’s primary aim is not to first serve its own needs or interests but rather to serve the welfare of society. Here, doing the right thing by businesses is not merely incidental to serve their own interests. It is self interest within the boundaries of the common good for society. This view is supported by Davis (1975) in Shaw (1991) who asserted that the thinking of businesses must be extended beyond the business gate to the whole social system because businesses are part of the whole social system and their actions affect the interests of others. Accordingly, Anshen’s (1970) in Shaw (1991) view that businesses cannot solely conduct their affairs in terms of internal costs while transferring external costs to the public but gives significant weight to moral reasoning based on net social benefits while considering potential profitability.

It can be argued that businesses that institutionalise ethics can cultivate higher levels of moral reasoning. Its sustainability depends on an ethics strategy which is part of the operating consciousness of the organisation according to Goodpaster (1989) in Rossouw and van Vuuren (2004). Porras and Silvers (1991) in Rossouw and van Vuuren (2004) contend that any effort to institutionalise ethics may therefore be successful only if it has deep second order change qualities. A business that primarily promotes public interest may significantly show a higher level of moral reasoning that is compatible with deep second order change. Here, ethics is ingrained at a higher level in the way in which a business engages in moral reasoning by walking the talk. Mere window dressing, like the case of Enron which had an ethics code but voted to bypass its conflict of interest policy is inadequate to sustain an ethical culture which integrates ethics, compliance and practice (Trevino and Brown, 2004).

**CONCLUSION**

Moral development entails a progression from mere self interest to interest for the wider community. While not disputing that businesses motivated by self interest can be ethical, it can be stated that businesses concern for the wider community shows greater potential for promoting higher levels of business ethics.

Businesses motivated by self interest can be ethical for instrumental purposes. The self interest motive is connected to what is good for business by avoiding risks, expecting a pay-off or even enhancing business practice. It can be claimed that business leaders motivated by self interest as the primary reason for doing the right thing are at stage 2 of pre-conventional morality since their focus is to maximise the satisfaction of their own needs while avoiding risks.

A higher level of moral reasoning, characterised by stage 4, requires the pursuit of individual interests that are consistent with maximising the satisfaction of society as a whole. At the level of conventional morality, moral reasoning by businesses considers society as a whole and the function of laws within society. Business leaders who promote this level of moral reasoning embody the common good, and approach reason and responsibility at a more progressive level of moral development.

Businesses led by lower stages of moral reasoning primarily focus on short term bottom line results thereby
promoting lower ethical standards. While conforming to the minimum standards of the law and doing the right thing, such businesses pursues self interest for its own sake. Beneficial deeds can be regarded as being incidental to its self interest. Businesses led by higher stages of moral reasoning ultimately consider the multiple interests of society and their long term reputation within the social system. Such businesses promote ethics at higher levels by recognizing the diversity of ethical issues and developing the cognitive tools to make the right judgements within the business environment. At a minimum level, business ethics should not detrimentally have an impact on the interests of the business. At the maximum level, business ethics should enhance the interests of all those who are affected by business.

REFERENCES


