

# Defining 'Business Ethics': Like Nailing Jello to a Wall

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**ABSTRACT.** Business ethics is a topic receiving much attention in the literature. However, the term 'business ethics' is not adequately defined. Typical definitions refer to the rightness or wrongness of behavior, but not everyone agrees on what is morally right or wrong, good or bad, ethical or unethical. To complicate the problem, nearly all available definitions exist at highly abstract levels. This article focuses on contemporary definitions of business ethics by business writers and professionals and on possible areas of agreement among the available definitions. Then a definition is synthesized that is broad enough to cover the field of management in a sense as full as most managers might conceive of it.

## Introduction

The study of ethics is an ancient tradition, rooted in religious, cultural, and philosophical beliefs. But the study of *business* ethics is of recent interest. Within the last decade business ethics has become a topic of popular discussion by American business executives, employees, shareholders, consumers, and college professors. One will find both undergraduate and graduate courses on business ethics in schools of business and in departments of philosophy, sociology, and theology; one will also find in-house and public seminars about business ethics. There are centers for the study of ethics, and there are articles, books, speeches, and sermons on ethics.

Unfortunately, not all the instructors, writers, and speakers agree with one another about what business ethics is.

What causes such disagreement? Is it the complexity, dynamism, and interdependence of business? Is it because business operations are often tainted with compromise? Is it that judgment is clouded on questions of what's right and wrong, unethical or ethical? Or is it that we have ignored (or denied) the importance of theoretical foundations for ethical decisions? Two points are generally made: (1) one's business ethics cannot be separated from his or her personal ethics (or all other ethics); and (2) business will never be any more ethical than the people who are in business.

## *Previous research in business ethics*

A number of previous studies have dealt with business ethics and/or morality in business [see 3, 6, 7, 10, 13, 15, 17, 21, 22, 26]. These studies suggest that (1) sound ethics is good business, (2) profit is not the sole motive of business, (3) pressure to compromise personal standards is felt most keenly at the middle and lower management levels, (4) competition can cause persons to ignore ethical considerations, (5) the person most likely to act ethically is one with a well-defined personal code, (6) persons with an ethical superior are likely to behave ethically, (7) ethics tends to be highest with the youngest and with those in the final decade of their careers, (8) pressure from superiors to achieve results can cause unethical behavior, (9) the more employees and managers are taught to identify with their companies and

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have loyalty to the same the more they are encouraged to abdicate personal responsibility for their actions, and (10) interpersonal communication is related to personal ethics in organizations.

A number of arguments have been cited in favor of business morality and social responsibility [see 5, 8, 9, 12]. Analysis of corporate responsibility has been "as wide as the ethical legitimacy of capitalism and as narrow as the personal moral dilemmas of business executives in day-to-day decision making" [16]. Questions have been raised about (1) the policies and competitive strategies adopted by corporations and (2) how such policies and strategies are to be implemented [16].

In addition, ethical theory has been linked to management behaviors [14]. The major philosophical, ethical, and moral theories have been classified as utilitarian theories, theories of rights, and theories of justice [11]. Any decline in ethical behavior is seen by many Americans as areas of great concern [18]. For example, during the 1970s we witnessed Watergate, convicted high-level government employees, and caught corporations breaking political campaign contribution laws, releasing shoddy product quality, demonstrating a lack of concern for worker health and safety, mishandling corporate pension funds, and paying corporate bribes to foreign officials [7].

Opportunity for such unethical practices exists at all organizational levels – from the top on down. In fact, a large number of managers and workers apparently cannot state with certainty what is right and wrong in all situations. And persons who practice 'small' unethical practices have a tendency later to attempt more serious unethical practices. Since no repercussion occurred when something little was done, there is no threat in attempting something more serious.

### *The problem*

A theoretical foundation is needed on which we can or should agree in understanding ethics and in grounding ethical decisions with assurance

[see 2]. Unfortunately, there is at present no one theoretical foundation on which all agree, especially in the area of definitions. For example, there is no national agreement and certainly no international agreement on what the term 'business ethics' means. The *Encyclopedia of Philosophy*, Volume 3, says the term 'ethics' is used in three different but related ways, signifying (1) a general pattern or 'way of life,' (2) a set of rules of conduct or 'moral code,' and (3) inquiry *about* ways of life and rules of conduct. The first component speaks of Buddhist or Christian ethics; the second, professional ethics and unethical behavior; the third, a branch of philosophy frequently given the special name of metaethics [1].

Contemporary studies of ethics have not brought about agreement on the subject. Baumhart, for example, has shown that business executives do not uniformly agree on how to define business ethics [4]. Schuette has illustrated that among leaders in business, government, and religion there is confusion over what business ethics means, and that there are differences in the practiced and spoken ethic [24]. Steiner and Steiner also agree that there is no universally accepted definition of business ethics [25].

Most people seem to depend upon cultural consensus or upon their religious and philosophical beliefs of what is right or wrong. The result is confusion and, often, misapplication of ethical behavior. There is, in fact, a "tangle of ethics" [23]. For example, some sales people might not curse in front of a Christian if they knew it would offend and cost them a sale. On the other hand, some might curse because they feel it is their freedom to speak as they wish. Some business people might not steal office supplies because they don't want to go to jail. On the other hand, some might steal office supplies because they view these items as perks or as adjusted compensation.

Holmes suggests that business ethics is impossible because (a) "morality has no application to corporations since corporations are not persons and only persons can be held morally responsible," and (b) "persons within corporations cannot have moral obligations given the

position of the individual in the corporation" [19]. Schuette adds that the subject of business ethics holds little interest for executives compared to profitability or efficiency [24].

Because, there is either an apparent lack of interest in business ethics or a consensus in defining business ethics does not mean one should simply give up and live with an ambiguous situation. There is a need to reach consensus and find an answer. Definitions place limits on how one thinks about and works with concepts. Therefore, there can be no answers to ethical problems without precise definitions. People need an internal understanding to make sound decisions about ethical or unethical behaviors.

### Research methods and questions

The specific research questions addressed in this article are (1) how is 'business ethics' defined in the literature and by business people; (2) what are the points of agreement on a definition of 'business ethics'; and (3) can a definition of business ethics be synthesized from the available definitions? Previous research on these questions has been lacking. Most business writers and professionals apparently assume that everyone knows what ethics is and, thus, dismiss the need to define the term. After all, since ethical conduct is one of the principal issues confronting corporate America today, everyone knows what ethics is.

Data for this study were gathered from both primary and secondary sources. Selected textbooks and articles in the management area were reviewed, and written statements were obtained from managers and employees. Textbooks were selected from nine areas of management: business and society, business ethics, business policy, human relations, introduction to business, organizational behavior, organizational theory, principles of management, and supervision. A total of 158 textbooks were reviewed. Articles on business ethics were selected from the *Business Periodical Index*, 1961–1981. Fifty articles which made reference to the words 'ethics' or 'morality' in their title were reviewed.

Thus, 208 documents were studied.

A brief questionnaire was distributed to a random sample of both blue-collar workers and white-collar executives, asking simply: What is your definition of 'business ethics'? Of the 359 questionnaires distributed, 185 were returned (51.53%). Responses were analyzed by a panel of two judges. Content analysis by the judges proceeded in two stages: First, each response was examined to identify those concepts expressed. Second, an attempt was made to group the concepts into a smaller number of definitions. Then the judges' categorical groupings were compared. On concepts that did not match (i.e., where the judges disagreed), the author made the selection of fit.

### Findings

#### *Definitions of business ethics*

The initial research question focused on how 'business ethics' is defined. First, 158 textbooks were reviewed. Of these, only 49 (31.01%) attempted to define 'business ethics'. See Table I. The definitions ranged from a low of

TABLE I  
Textbook definitions of 'business ethics'

Textbooks	No. checked	No. with definitions	Percentage
Business and society	11	5	45.45
Business ethics	7	7	100.00
Business policy	15	2	13.33
Human relations	20	4	20.00
Introduction to business	5	5	100.00
Management	34	16	47.06
Organizational behavior	25	4	16.00
Organizational theory	27	2	7.41
Supervision	14	4	28.57
Totals	158	49	31.01

five words to a high of 73 words used to define the term. Business Ethics textbooks and Introduction to Business textbooks were most likely to contain definitions; Organizational Theory textbooks were least likely to contain definitions of 'business ethics'.

Second, 50 articles were reviewed for definitions. Of these, only 20 (40%) attempted to define 'business ethics'. Definitions ranged from a low of five words to a high of 46 words. Although all of the articles selected referenced the broad topic of business ethics or morality in their titles, 60% of them dealt with the concept as though everyone already understood or agreed on its meaning. That is, the authors of these articles did not define what they were writing about.

Third, 185 survey definitions were reviewed. Typically, the definitions were expressed in the form of prescriptive advice, ranging in length from one word to 112 words. Many of these definitions made reference to the rightness or wrongness of behavior, the need to tell the truth, one's moral principles, and the various rules, standards, or codes governing an individual.

#### *Areas of agreement among definitions*

The second research question focused on possible areas of agreement among the definitions. As might be expected, there was no one definition everyone agreed on. In fact, of the 254 documents defining 'business ethics', 308 concepts were expressed. See Table II. There is some agreement among authors and respondents; however, the general impression is one of great diversity. The respondents to the questionnaire, for example, seem to have idiosyncratic ethical codes based on a variety of personal experiences, a variety of religious beliefs, and other personal factors. The majority of concepts exist at high levels of abstraction.

The number of concepts in each response ranged from a low of one concept to a high of six. The concepts were expressed in the form of prescriptive advice retaining as much as possible the original wording of the respondents. An

TABLE II  
Number of concepts available in definitions of  
'business ethics'

Type of document	Number of concepts
Textbooks:	
Business and society	17
Business ethics	19
Business policy	11
Human relations	4
Introduction to business	14
Organizational behavior	7
Organizational theory	2
Principles of management	49
Supervision	7
Articles	39
Surveys	139
Total	308

attempt was then made to group the 308 concepts into a smaller number of prescriptions. As can be seen in Table III, 38 categories were retained. The most common theme was rules, standards and codes, mentioned by 16% of the authors and respondents. Second was moral principles, mentioned by 8%; third was right and wrong, mentioned by 8%. Fourth was truth, mentioned by 7% of the authors and respondents.

TABLE III  
Definitions expressed in the literature and by  
business people

Concept	Number of mentions
1. Rules, standards, or codes governing an individual	48
2. Moral principles developed in the course of a life time	25
3. What is right and wrong in specific situations	24
4. Telling the truth	23
5. A belief in social responsibility	18
6. What is fair and above board	16
7. Honesty	16

8. The Golden Rule	11
9. Sets of values	10
10. What is in accord with one's religious beliefs	10
11. Common behavior	10
12. Being true to one's self	9
13. Obligations, responsibilities, and rights	9
14. Conscientious work	9
15. What is good and bad	8
16. Philosophy	8
17. Clarification of the dimensions of decision making	7
18. Individual conscience	6
19. What is legal	5
20. A system	4
21. A question of human relationships	4
22. Theory of justice	4
23. The relationship of means to ends	3
24. Integrity	2
25. Concern for what ought to be	2
26. Reflection on institutional arrangements causing human harm or benefit	2
27. The principles of Aristotle	2
28. Habit	2
29. A practical science based on logic	2
30. Virtue	1
31. A substitute for leadership	1
32. Character	1
33. Rotary Four-way test	1
34. Judging others	1
35. Confidentiality	1
36. Putting God first, others second, and myself last	1
37. A public, not private, matter	1
38. Situational and temporal	1
Total	308

It would appear from the list of 38 categories that, since some of the concepts are similar, there may be more agreement concerning the ethical values of many specific behaviors than concerning the reason something is right or wrong. For example, several persons may unanimously agree that it is wrong to cause human

harm but they may disagree about why it is wrong. One may say that it violates the Golden Rule; another may say it is dishonest; a third may say it questions one's conscience; and a fourth may say it is not legal.

#### *A synthesis of definitions*

The third research question focused on whether a definition of 'business ethics' can be synthesized from the definitions available. To incorporate every concept mentioned about business ethics in Table III is, of course, impossible. It is like nailing jello to a wall! However, if we take the first four concepts, which were the ones mentioned most often by respondents and authors, we can synthesize the following: *'business ethics' is rules, standards, codes, or principles which provide guidelines for morally right behavior and truthfulness in specific situations.* Concentration of the major concepts in this definition will reap rewards. Notice:

1. *Rules, standards, codes or principles* – moral guidelines that, if followed, will prevent unethical behavior. For example, one of the rules governing the behavior of CPAs, according to the American Institute of Certified Public Accountants, is that a CPA is not allowed to "express an opinion on financial statements of an enterprise unless he or his firm are independent with respect to such enterprise". To express such statements would violate a well established code of ethics.

2. *Morally right behavior* – individual actions that conform to justice, law, or another standard; individual actions in accord with fact, reason, or truth. A business person must constantly deal with the central issue of what consequences will result from his or her actions. That is, she or he must not engage in any practice that would tend to corrupt the integrity of his or her position. For example, the ethics section (Clause 1) of the Code of Ethics of the Society of Professional Journalists states: "Gifts, favors, free travel, special treatment or privileges can compromise the integrity of journalists and

their employers. Nothing of value should be accepted.” Violation of this code (i.e., the acceptance of free tickets, free meals, special privileges, etc.) by a professional journalist would not be morally right behavior because it compromises her or his integrity.

3. *Truthfulness* – statements and/or actions that conform with facts or that have the appearance of reality. For example, the Preamble of the Code of Ethics of the Society of Professional Journalists states: “We believe in public enlightenment as the forerunner of justice, and in our Constitutional role to seek the truth as part of the public’s right to know the truth.” The question plaguing humanity, since Pilate asked Jesus, is “What is truth?” Other questions of equal difficulty include: Can a rule based on something morally right be false? Can two wrongs make a right? Consider the following:

...it is not contradictory, or mistaken, to assert the following: An act, *which otherwise would be wrong*, can be right (or permissible) when performed in the presence of, or in response to, one or more acts of the same kind ... Thus, for example, it is generally wrong to forcibly deprive people of their liberty or property. Yet it is permissible for society to do so (if proper procedures are followed) by imprisoning or fining criminals who forcibly deprive others of their liberty or property. It may even be the case that two acts, each of which would be wrong in isolation, are both rendered permissible by the presence of the other. ... [20]

However, what may seem correct or even truthful in one or more situations should “not give people any general or broad-ranging warrant to ignore moral standards in their business activities” [20].

4. *Specific situations* – occasions of personal moral dilemma calling for ethical decisions. For example, the American Medical Association has adopted as its principle objective rendering “service to humanity with full respect for the dignity of man”. The responsibility of the physician extends “not only to the individual but also to society”. Thus, any participation in a situation that does not have “the purpose of

improving both the health and the well-being of the individual and the community” would be the result of an unethical decision.

In addition to these four concepts, based on the results of this current study, as presented in Table III, ‘business ethics’ may be defined also in terms of its:

- (1) focus on social responsibility;
- (2) emphasis on honesty and fairness;
- (3) emphasis on the Golden Rule;
- (4) values that are in accord with common behavior or with one’s religious beliefs;
- (5) obligations, responsibilities, and rights toward conscientious work or enlightened self interest;
- (6) philosophy of what is good and bad;
- (7) ability to clarify the issues in decision making;
- (8) focus on one’s individual conscience and/or legal system;
- (9) system or theory of justice questioning the quality of one’s relationships;
- (10) relationship of means to ends;
- (11) concern for integrity, what ought to be, habit, logic, and/or principles of Aristotle;
- (12) emphasis on virtue, leadership, character, confidentiality, judgment of others, placing God first, situationalness, temporalness, and publicness.

What these 12 bits and pieces of a definition of business ethics suggest is that it is very difficult to define ‘business ethics.’ Again, it reminds one of trying to nail jello to a wall. However, if we place the emphasis on the definition synthesized above – ‘*business ethics*’ is *moral rules, standards, codes, or principles which provide guidelines for right and truthful behavior in specific situations* – we approximate a definition of business ethics broad enough to cover the field of management in a sense as full as most managers might conceive of it.

## Conclusion

The results of the study as presented in this article provide valuable information concerning how contemporary authors and business people define ‘business ethics’. A synthesis of defini-

tions reveals a definition emphasizing a majority of opinions about what is ethical for managers. Thus, business ethics is more than just virtue, integrity, or character. It involves the application of one's understanding of what is morally right and truthful at a time of ethical dilemma.

Although our definition exists at a somewhat high abstract level, it does place the emphasis where the majority of business writers and professionals place it — moral rules, standards, codes, and principles governing individual behavior. Perhaps research should be generated to describe the moral rules, standards, codes, or principles of business ethics that managers apply in their personal and professional lives.

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