

## THE IMPORTANCE OF BUSINESS ETHICS

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IN RECENT years the term 'business ethics' has taken on new relevance in the wake of accounting scandals that have discredited some of the world's largest and well-respected companies.

The list includes WorldCom (now MCI), Tyco International, Parmalat, and Enron - whose financial executives have faced charges and possible jail time for financial misdeeds. Now, the Business Roundtable (BRT) aims to restore public confidence in Corporate America with a US\$3 million initiative to educate future CEOs on business ethics.

According to an article published by **Business Week**, on January 14, 2004, the BRT, an association of 150 chief executive officers of leading United States companies, announced it was creating a new business-ethics centre.

The Business Roundtable Institute for Corporate Ethics will be housed at the University of Virginia's Darden Graduate School of Business Administration. The BRT hopes to deflect criticism of CEO excesses by developing a business school ethics curriculum as well as train executives and conduct research.

Ethics education and training are important elements in the creation of ethically sensitive business cultures. In a presentation on Jamaican Business Ethics, Dr. Michael Witter, senior lecturer and head of the Department of Economics at the University of the West Indies (UWI), said to understand business ethics, a clearer understanding of the meaning of the phrase was critical.

### REFLECTIVE CONSIDERATION

According to Dr. Witter, ethics, often confused with morality, is the reflective consideration of our moral beliefs and practices. Morality comes first as the beliefs and practices about good and evil by means of which we guide our behaviour. However, for his presentation he used the terms interchangeably for his examination of local businesses in an attempt to shed light on the development of the moral values and business ethics of Jamaican corporations.

"In understanding Jamaican business ethics or moral values it is important to trace the evolution of the morality of local businesses that have a long history to observe the changes over time as the society changed," Dr. Witter said. "Over 300 years of British colonial enterprise still casts a shadow over all Jamaican institutions, including modern businesses. Many of today's moral values were shaped by colonialism and there is a nostalgic view that it was the departure from colonial norms that has caused many of the undesirable practices today," he said.

However, there is also the critical view that it was precisely the ethics of colonial business and the quest for profits that account for the inequities and injustices in today's workplace, the low rate of investment in human beings, and the preference for foreign solutions to local problems, Dr. Witter said.

According to him, the trade off between profit and ethical behaviour refers to short run profit that cannot be sustained. On the other hand, long run profit or sustained profit-making is based on ethical behaviour that brings company goodwill among its stakeholders. It is also directly related to better relations at the workplace leading to efficient enterprises because of more co-operation, less waste, more initiative and responsibility by employees as well as goodwill and stronger brand names for enterprises, said Dr. Witter.

In addition, companies that behave ethically are more socially responsible and benefits are spread across the board to all stakeholders. For example, to employees through additional benefits such as share options, to customers through the timely delivery of quality goods and services at reasonable prices and to shareholders through increased dividends.

Professor Neville Ying, lecturer at UWI's Mona School of Business said courses in ethics such as legal, social, and ethical aspects of business as well as business, society and government, offered by the business school to its MBA students, have immediate application because they provide business people with the awareness and decision-making skills necessary to address ethical issues and take decisive action. "Our MBA and EMBA students are currently in top and middle-level managerial positions so these courses that show them the importance of adhering to government regulations, meeting community obligations, and accountability (for their actions) are extremely relevant," he said.

## GROUNDING UNDERSTANDING

Yvonne Bignall, vice president of academic affairs at University College of the Caribbean (IMS/IMP), said courses in ethics provide students with a grounded understanding of the issues they will encounter in the corporate world. Elements of ethics are integrated into the school's business studies curriculum. Students then see ethics as an integral part of other subjects they are studying, such as finance, accounting or marketing, and are able to respond appropriately to situations that may arise throughout their careers in business.

Hopeton Morrison, general manager of the St. Thomas Co-operative Credit Union (STCCU) and a lecturer in business ethics at the University of Technology, said training and education teach people how to become ethical leaders and will in turn inspire ethical leadership throughout their organisations. "A CEO drives the corporate culture of an organisation," he said. "If he or she is inherently corrupt this will be reflected throughout the organisation." That's why company-sponsored training and education of STCCU's key players in business ethics had been implemented.

"We want to expose our managers to courses in business ethics because leaders must set the tone," he said. "If you want to transform the organisation for the long term you must consult ethical practices as your point of reference."

Digicel's Chief Executive Officer, David Hall, said courses in ethics are beneficial to anyone pursuing a career in business. In his homeland of Ireland when studying business in college or qualifying as an accountant, an ethics course is compulsory, he said. "I do think this will always hold you in good stead for going forward," said Mr. Hall. "In business you have a genuine obligation to a number of stakeholders. This is the thing that personally drives me. I would not be able to live with myself if I did something that jeopardised other persons livelihoods. You have a moral obligation and responsibility to live up to your position - everyone in every position in every company has this responsibility. It helps dictate the fabric of society and what it should be."

According to Mr. Hall, business ethics should reflect achieving corporate profits not as an end to itself but in the achievement of social and human good also. "Ethics are a critical part of an organisation's ability to survive and should not be compromised just because we are in a competitive marketplace," he said. "Digicel has always believed in maintaining an honest relationship with all our constituents, in particular our customers, dealers and our employees and we will be the first to admit our mistakes and make every effort to be as honest and as forthright with the public as possible."

Director of Fitz-Ritson & Associates, Karen Fitz-Ritson, shares the same sentiment. "You must always maintain high standards of service because whenever you compromise the first negative report on your business can cause you to lose out," she said. "If people feel that they have to compromise then it may be time for them to do some serious soul searching. It may sound like a cliché but your word is your bond. Many businesses do not understand the importance of this seemingly simple statement and often forego their obligations."

According to her, ethical business practices are directly related to the success of any company. "Local businesses must recognise both their corporate and social responsibilities," she said. "It is the only way they will gain recognition, respect and credibility."

President of the Private Sector Organisation of Jamaica, Beverley Lopez, said transparency and accountability are two of the most important components of ethical behaviour. "We seek to ensure that our members are operating along these lines at all times," said Mrs. Lopez, whose organisation has made corporate governance its central focus. Although she admits that keeping track of members' adherence to these guidelines is unrealistic, she said the organisation puts exposing its members to ethical behavioural practices high on its list of priorities.

"Because we ask this of our Government, as private organisations, we also have a responsibility to behave ethically," the PSOJ president said. "So through our seminars

we help to expose our members to corporate governance with the hope that if we continue spreading the word it will create some traction."