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Business Ethics

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Oxford Advisory Board

Foreword

It is an honour and a privilege to write the Foreword for this book, aimed at providing business ethics knowledge to budding leaders of a growing nation, Malaysia, and the global workforce at large. As Malaysia doubles its efforts to realize Vision 2020 to attain developed nation status, it is synonymous with a civil society, characterized by not only economic progress but a community with strong ethical values.

Today's globalized and competitive environment reminds us of the need to revive the emphasis on morality and internalization of ethical values, as fraud, bribery, corruption and manipulative practices have become common features in business deals and transactions, not to mention the public sector. Citing some indicators from Transparency International studies, Malaysia, on the international front has been ranked 53rd out of 177 nations, a step up from its ranking in 2012. Regionally, Malaysia is currently ranked as the 3rd least corrupted nation among the ten countries in the ASEAN region, after Singapore and Brunei. While the Government undertakes relentless and significant efforts to tackle the challenges that abound and curb the various abuses at large, individuals too have to be accountable for their actions based on the values they carry in life. Indeed, it all begins with a strong fundamental knowledge of ethics and the universal value of clean, moral judgements, including the various religious principles practised in the country.

This publication is indeed timely for Malaysian students to not only equip themselves with business ethics knowledge from the conventional theoretical framework, but also from religious dimensions, which are seen as critical components in the shaping process of an individual from Eastern cultures. This book will pave the way for the accomplishment of a vision to revive the importance of ethical values not only from universalistic logical/rational thinking processes but from moral objectivism contexts as well. It will indeed add to the limited business ethics books with a localised ASEAN flavour.

Congratulations on this noble piece—another significant contribution towards nation building!

Dato' Hafsah Hashim
Chief Executive Officer
SME Corporation Malaysia

Preface

Ethics is a branch of philosophy. Every branch of philosophy is a normative endeavour. Business ethics is no exception. As a field of study, it is certainly not an oxymoron but a reality that must be internalized by all business people to be sustainable in this challenging global environment. This study requires one's moral judgements and deep rationalization of business issues. It requires a constructive application of either relative or objective ethical principles, including religious principles.

Although the primary objective of a business is to make profits, it has to meet social interests since any business entity is a component of a civilized community aspiring to sustain economic prosperity and well-being. Several established business organizations in the global scenario have collapsed at the wake of the 21st century due to compromises on ethics. Business decisions therefore must not only be economically effective but legally and morally sound, complying with man-made rules and regulations, what more God-made principles and commandments.

This text aims to equip readers, especially students in higher learning institutions, with the fundamentals of business ethics knowledge. It has brought in local flavour within the Eastern perceptions of ethics in the conduct of business, without compromising on the Western dimensions.

This text begins with ethics as a philosophical concept and relates it with life. Next, it links ethics with leadership and management to set the stage for the economic character and organizational set up of a business. Following this, it introduces readers to ethical theories and principles that are applied in the global world of business with discussions on strengths and limitations of each. Along with this, religious ethics will also be linked and discussed. Next, the text dwells upon contemporary ethical issues at the workplace such as conflicts of interest, privacy, dismissal and women at the workplace. It deliberates on ethically related business topics such as marketing, social responsibility and governance. The text will end with the 'save our planet' topic—Ethics and the Environment—to make readers realize that human survival is at stake as businesses infinitely exploit natural resources within a global free market environment, driven by information and communication technology.

It is hoped that this text will impress upon all readers on the importance of ethics in life; be it in business or non-business matters. To all students, who are potentially going to be organizational stakeholders of public or private institutions, business or non-business establishments, may this piece of knowledge be an added value as you are stepping on the stone to success in your undertakings.

As authors, we have strived to impart our diverse business knowledge within our limitations as humans. We apologize for any shortcomings, in due course.

Khalidah Khalid Ali
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Ethics and Its Conceptualization in Life

LEARNING OUTCOMES

At the end of this chapter, you should be able to:

- Define and differentiate between ethics and morality.
- Understand how ethics is developed in an individual.
- List and explain the various factors that influence the ethical values of an individual.
- Compare and contrast between ethics and legality.
- Compare between Eastern and Western perspectives on ethics.
- Relate the role of religion as an important contributing factor in shaping the ethical values of individuals.
- Identify universally accepted moral values.
- Recognize ethics and its importance in the global business world.

1.0   INTRODUCTION

This introductory chapter begins with ethics as a concept. It will differentiate between ethics and morality and outline factors that contribute to the shaping of one's ethical values. Justifications will be drawn as to why ethics is important in life, what more in business. It will include a section to compare and contrast the concept of ethics from Western and Eastern perspectives. It will continue to discuss the role of religion in shaping one's values. Finally, it will introduce readers to the universally accepted moral values that must be emulated by all irrespective of social and cultural differences.

We often reflect and ask ourselves some basic questions:

- How should I lead my life?
- What type of person should I strive to be?
- What values are critical for me to lead a rewarding life?
- What standards or principles should I follow to conduct my life?

Our self-reflection and conscience in addressing these personal issues immerses us in the study of right and wrong or moral reasoning. Moral reasoning leads us to the study of morality i.e. ethics.

Human beings are special creations of God. Behold, thy Lord said to the angels: '*I will create a vicegerent (i.e. Khalifah or leader) on earth*' (*Al-Quran, Al Baqarah, 1:30*). Humans differ from non-humans because they are made in a balance and are directly informed of their role—to be leaders in the universe. They are therefore in a unique position to be guardians. Humans are endowed with intelligence and the highest degree of free will to think sensibly whether their acts are right or wrong while fulfilling their desires and self-interests. They are good by choice and given inner control but are made accountable for all their actions. '*We have indeed created man in the best of moulds*' (*Al-Quran, At Tin 95:4*).

Humans have three responsibilities—to make himself or herself good; to help others be good and to make the physical world good. We cannot preach goodness if we do not embody goodness ourselves. This is where the study of ethics becomes relevant as a field of knowledge.

Chapter 1 introduces readers to ethics and its conceptualization in life. Although the following chapters will focus on ethics in the world of business, this chapter is aimed at providing a clear understanding of the direct link between ethics and the conduct of life, be it in business or non-business related matters. Aptly, each of us takes on diverse roles as leaders at any point of time, be it at home, at work, in business or while serving the community through a voluntary social activity. As leaders, we are expected to display ethics in the conduct of life, wherever we are and in all situations. We may have acquired knowledge on ethics but this does not ensure good practice. Let us ask ourselves a valid question, 'How can we lead Mother Earth without internalizing ethics?'

We have been using the terminology 'ethics', but what is ethics?

1.1   ETHICS IN DEFINITION

Ethics is a set of principles that contains behavioural codes to determine what is right or wrong.

Ethics can be described as a set of principles that contains behavioural codes to determine what is right or wrong (Khalidah *et al.,* 2012a). It also outlines the moral duty and obligations that any human being should practise. The term 'ethics' is derived

from the Greek word *ethos*, which means character, spirit and attitudes of a group of people or culture (Rahman, 2013).

There are many formal definitions of ethics. To mention a few, Stanwick and Stanwick (2009) define ethics as the values an individual uses to interpret whether any particular action or behaviour is considered acceptable and appropriate. Velasquez (2012) and Nickels (2008) regard it as a discipline that examines one's moral behaviour or the moral standards of a society. According to Abdullah and Zainol Abidin (2011), ethics concerns itself with what is good or right in human interaction. It revolves around three central concepts—'self', 'good' and 'other'. Ethics is also defined as a critical analysis of human acts to determine their rightness or wrongness in terms of two major criteria—truth and justice (Mauro *et al.,* 1999).

To conceptualize ethics as a field of study, we are trying to rationalize what actions are right or wrong and assess whether they are just or fair from different perspectives—individual, organizational or societal levels. Certainly, we have to consider the rights of others (humans and non-humans) much as we are equally interested to exercise our own individual rights and self-interests.

We have just defined ethics and its scope. Next, we shall look at the contrast between ethics and morality.

1.2 THE CONTRAST BETWEEN ETHICS AND MORALITY

One may ask 'Is there a significant difference between ethics and morality?' Practically, these two terms are being used interchangeably in everyday life. While many may agree that there is a very thin line to differentiate these two concepts from a layman's viewpoint, in the study of ethics, however, several scholars have proposed clear differences between ethics and morality. The objective behind this distinction is to clarify certain arguments (Shaw, 2011).

Morality is concerned with the norms, values and beliefs embedded in social processes which define right or wrong for an individual or a community. **Ethics**, in contrast, is the study of moral standards whose explicit purpose is to determine, as far as possible, whether a given moral standard or judgement based on that standard is more or less correct (Velaquez, 2006). This therefore demands for analytical thought and application of reason to define specific rules, principles or ethical theories that determine right or wrong for a given situation. In addition, these rules and principles must give an account of the rights or entitlements we have and what is just or fair (Boatright, 2007).

> Morality refers to norms, values and beliefs embedded in social processes which define right or wrong for an individual or a community.

Let us further differentiate these two concepts by an example for clarity. We know that all religions and cultures view strongly that lying, cheating and manipulation are wrong. These are sub-values of dishonesty. The society's acceptance/recognition that these values are morally wrong is termed as morality. However, when we apply a specific theory or principle to explain why lying, cheating and manipulation are wrongful acts, this is ethics. Based on Rule Utilitarian Theory, lying, cheating and manipulation are unethical after assessing the bad consequences against the good consequences of such actions. In addition, applying Islamic ethics and principles, these three values are immoral based on the verses stated in the *Al-Quran* and *Sunnah.* Emmanual Kant's Ethics of Duty will also share the same view since these values do not promote goodwill among fellow humans and they do not follow the universal law.

To quote:

> *'Act only according to that maxim by which you can at the same time will that it should become a universal law.'*

We have so far defined ethics and seen its contrast with morality. Next, we shall examine the origin of ethics and factors contributing to the shaping of one's ethical values. We shall also explain why ethics is important in life.

1.3   THE ORIGIN OF ETHICS

Ethical values come from one's inner feelings which subsequently translate into his or her moral behaviour.

One may ask 'Where do ethical values come from and how is good ethics developed in an individual?' It comes from our inner feelings which subsequently translate into our moral behaviour (Khalidah *et al.,* 2012b). Ethics thus begins with each one of us. As humans, we are fully responsible for our ethical or unethical behaviour. According to Ebert and Griffin (2007), ethical behaviour conforms to ethical beliefs and social norms about what is right and good. Conversely, unethical behaviour conforms to individual beliefs and social norms that are defined as wrong and bad.

Factors influencing ethical values include upbringing, socialization process, experience and critical reflections on one's experiences and the explicit and implicit standards of culture.

Many of us will agree that the degree of one's self control and will power have a great influence on character building and development. However, looking from a wider perspective, several factors influence one's ethical values. These factors include his/her upbringing, socialization process (i.e. the behaviour of surrounding people), experience and critical reflections on those experiences and the explicit and implicit standards of culture (Shaw, 2008 and 2011). They may be referred as social, cultural and environmental factors.

During our childhood days, our parents nurture us with good discipline and morality. They guide us on what is right and what is wrong in our actions. They are our 'first' teachers and role models. In fact, they shoulder the responsibility to shape us to be good people. The pertinent role of parents in the upbringing of their children has also been duly recognized in Islam based on a relevant Quranic verse:

> *'O ye who believe! Save yourselves and your families from a Fire whose fuel is Men and Stones, over which are (appointed) angels stern (and) severe, who flinch not (from executing) the Commands they receive from Allah, but do (precisely) what they are commanded.' (Al-Quran, At-Tahriim 66:6).*

When we go to school and higher learning institutions, our teachers and lecturers give us added knowledge and skills for survival. In addition, they also impart ethics knowledge through moral and religious studies. Much as our teachers and lecturers are exemplary role models in our character building, we are also influenced by peers and the surrounding environment.

Nowadays, the media and Internet have somewhat contributed to the shaping of human character and values; more so with growing children. The knowledge acquired through the numerous search engines and countless websites, not to mention Facebook, Twitter and several other social networking websites, have significantly wired the brains and shaped the character of our youngsters. In addition, one's myriads of experiences and critical reflections on what he or she has gone through, be it good or bad, does to a certain extent influence his or her character and values. We have seen people's values change for the better out of his or her own self-realization and positive attitude to improve, especially after having experienced a mishap or misfortune.

Finally, culture has also an influence on one's values. For example, respect and care for the elderly have always been accepted as noble values internalized by Asian or

Eastern culture until today. It is immoral to abandon parents when they are old. We should sincerely extend our love and care to them out of gratitude, no matter how busy we are in our lives. Their endless love, care, patience and sacrifices made to guide us during our childhood are of intrinsic value to determine our successful lives. In fact, they have a right to be looked after by their children in their old age. We would not have enjoyed the beauty and bounty of this world without our parents' existence!

We have so far discussed at length the influence of social, cultural and environmental factors on one's ethical values. Aptly, they are also developed and internalized from religious teachings. All religions provide its believers with a worldview and strong composition of conduct, values and commitments based on instructions that have to be strictly followed without compromise. For example, the fundamental principles of *iman* and *taqwa* in Islam require every Muslim to display uprightness, honesty and integrity, irrespective of the state he or she is in, be it an individual, a business person or a figure of authority and power. These two principles remind Muslims not to act solely for the fulfilment of self-interests, but to display actions that subsequently benefit others as he or she assumes the role of a leader or *khalifah* (Khalidah *et al.,* 2012a).

> All religions provide its believers with a worldview and strong composition of conduct, values and commitments based on instructions that have to be strictly followed without compromise.

Where do moral/ethical standards come from?

- According to Shaw (2008 and 2011), rationally, we learn and adapt to the ethics and moral principles through our:
  – Upbringing
  – Socialization (i.e. the behaviour of those around us)
  – Experiences and our critical reflections on those experiences (self reflection)
  – The explicit and implicit standards of our culture
- We also learn ethics from religious teachings. All religions provide their believers with a strong composition of conduct, part of which involves moral instructions, values and commitments.

Figure 1.1: The factors influencing one's ethical values

Figure 1.1 summarizes the factors influencing one's ethical values. We shall dwell on the role of religion in shaping the ethical values of individuals in a separate section of this chapter as we go along. Let us firstly acknowledge the importance of ethics in life.

1.4   ETHICS AND ITS IMPORTANCE IN LIFE

Humans, despite their differences, live in a community and develop a web of relationships in life. Although we value individual privacy, freedom of speech and material well-being, as individuals, we also value happiness by sharing and complementing others. We value compassion, respect, fairness and gratitude. If these values, among others, become the standards for a society's quality of life and

well-being, we shall all arrive at a consensus that ethics is important in life. Imagine ourselves living in a community which compromises on these ethical values. Will we live in peace and harmony? Much as we enjoy material wealth, will we achieve well-being in the true sense?

In the challenging and competitive global environment that we are all facing today, individuals pursue their self-interests. However, we are expected to be equally conscious of our roles in the community and the effects of our good deeds and wrongdoings on others. To reiterate an earlier fact, ethics deals with individual character and moral values that govern and limit one's conduct. It investigates questions of right and wrong, duty, obligation, moral responsibility and social justice (Wiley,1995 cited in Mauro, Natale and Libertella, 1999; Shaw, 2008). Every society aspires to be developed and civilized. How can a society call itself civilized if the citizens are not ethical while the nation is enjoying an abundance of material wealth?

From a communitarian perspective, an ethical society is thus an outcome of members who internalize and apply ethical values in their lives. The general well-being, quality of life and prosperity of a nation therefore largely depend on the internalization of good moral values among members of the community (Khalidah *et. al*, 2010). Only ethical societies will sustain economic growth, prosperity and well-being. Without doubt, only ethical societies will sustain civilization and dignity of humans as guardians of the universe!

Our life nowadays is governed by a myriad of laws, rules and regulations. Let us pose a question: Do laws assure that ethics is internalized among members of society? Simply put, will laws instil ethics in individuals?

1.5   THE CONTRAST BETWEEN ETHICS AND LEGALITY

Some people have the opinion that being ethical means complying with the law or a set of stipulated rules and regulations. This is in line with the views of Aristotle, a renowned Greek philosopher and scientist (384-322 B.C.). In attempting to outline universal justice, he viewed that a good person is one who obeys the law. Societies normally adopt formal laws that reflect prevailing ethical standards or social norms (Ebert and Griffin, 2007). It is true that obeying laws is an important first step to be ethical as laws promote justice and fairness in human actions. The Employment Act 1955 in Malaysia protects the rights of employees. Employers must comply with this act. Nonetheless, we also hear of irresponsible employers' over-exploitation of labour at work despite the need to comply with the act. We see wrongful acts such as disrespect, greed and selfishness within the public and private sectors while complying with stipulated government and business laws. These are all seen within the so-called 'rules of the game'. As Ebert and Griffin (2007) have rightly pointed out, laws do not make people honest, reliable or truthful.

Legality therefore carries a narrower scope in ethics. It refers to laws that we have written to protect ourselves from fraud, theft and violence. However, many immoral and unethical acts fall well within our laws (Nickels *et al.*, 2008). They need not necessarily drive one's conscience to internalize good values (Khalidah *et al.*, 2012a).

The collapse of Enron, Tyco International and World.Com at the beginning of the millennium fully supports this contention. While nations were actively trying to

Legality refers to a narrower scope of ethics. But a person who follows rules and regulations need not necessarily be an ethical person. Ethical behaviour rests upon one's full conscience and accountability to do good deeds as a social responsibility under all circumstances.

promote globalization as a call from the World Trade Organization (WTO) to increase the welfare of the world economy through free trade and competition, the entire globe was alarmed by the collapse of these giant American corporations.

In Malaysia, corporate scandals such as those surrounding Pewaja Steel, Bank Bumiputra and Bank Islam prior to the 1997-98 financial crisis have also charted history in the local manufacturing and banking industries and challenged the integrity of corporate governance. An example of a recent scandal is the RM12 billion Port Kelang Free Zone project involving civil servants and renowned politicians who are supposed to represent public interests.

In an international scenario, the legal suit against San Lu Corporation in 2008 for producing milk tainted with melamine, which killed many babies in China, is also a classic example that laws, rules and regulations are not foolproof to ensure ethical behaviour among individuals and businesses. These established corporations must have developed a clear code of ethics as a governance mechanism to compel employees to behave ethically, but they do not necessarily result in internalization of good ethical values. The multinationals and organizations mentioned above would have sustained their multi-billion dollar businesses until today if not for the unethical behaviour of their upper management and employees at work.

Seriously, ethical behaviour requires more than having to comply with policies, laws, rules and regulations. Ethics is above the law. It reflects people's relations with others. It requires a sincere reflection on how we should treat others and the impact of our actions on others. It boils down to a person's commitment and responsibility towards others as he or she fulfils personal needs and interests.

> Ethics is above the law. It requires a sincere conscience on how we should treat others and the impact of our actions on others.

Ethical behaviour therefore rests upon one's full conscience and accountability to do good deeds as a social responsibility under all circumstances (Khalidah *et al.,* 2012a). Nevertheless, how do we then develop one's full conscience, commitment and accountability to do good deeds as a social responsibility under all circumstances?

We shall next address this issue under the role of religion in shaping one's ethical values. Earlier in this chapter, we have noted that religion is one of the factors influencing ethical values.

1.6   RELIGION AND ETHICS

Some people do not believe that morality boils down to religion but rather that it is just a function of what a particular society happens to believe (Shaw, 2011). Some may even view that it is misleading and inappropriate to link morality with spirituality and religious beliefs since it may violate individual or human rights which promote freedom of choice in religion and privacy. After all, one's choice of religion is a negative right (i.e. free from others' interference) and is clearly stated in the 1948 United Nations Universal Declaration of Human Rights (Boatright, 2009; Khalidah *et al.,* 2012b).

While we respect these 'westernized' liberal and universal views on the role of religion towards shaping one's ethical values, the point remains—a belief in religion and internalization of the principles and teachings will shape one's character and values. Most religions have an ethical component. Quoting the words of Simon Blackburn, in his book, Ethics: A Very Short Introduction (2001):

'For many people, ethics is not only tied up with religion, but is completely settled by it. Such people do not think too much about ethics, because there is an authoritative code of instructions, a handbook of how to live.'

Malaysia's *Rukun Negara*/National Principles directly states the belief in God as a doctrine to be followed by all Malaysians irrespective of religious and cultural differences. This implies the importance of religion in Malaysian society despite its racial and cultural diversity (see Figure 1.2).
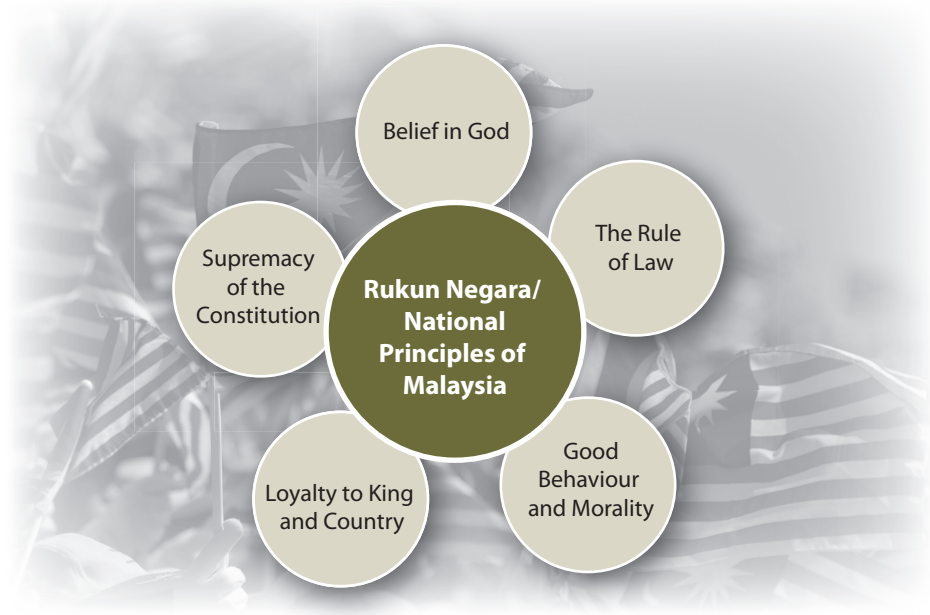
Figure 1.2: *Rukun Negara*

Let us delve further to justify this statement by explaining the role of Islam, Christianity, Buddhism and Hinduism in shaping the ethical values of their followers or believers. These are the four common religions embraced by Malaysians, living in a multiracial community. Let us begin with Islam, the official religion of Malaysia.

1.6.1   Islamic Ethics: Ethics of the soul

Islam is derived from the Arabic root *Salema*—peace, purity, submission and obedience. In the religious sense, Islam means submission to the will of God and obedience to His law. Much as Islam is recognized universally as a religion, it is in fact a way of life for Muslims. Prophet Muhammad SAW once said, "*Religion is advice*" (*hadith* narrated by Muslim).

The foundation of Islamic ethics is the *Al Quran* and *Sunnah* (i.e. the sayings and practices of Prophet Muhammad SAW). Islamic ethics integrates the inner and outer aspects of an individual's life (Ibn. Manzur, 1990; Miqdad Yaljin, 1973). It concerns individual physical development with priority on the soul's development, crucial to the individual's behaviour and character development. The values of the soul are universal and consistent without having to separate human, physical and spiritual values determined by the Creator, Allah SWT. These values shall remain unaffected by changes in external conditions and circumstances of life (Al-Maududi, 1978).

Islam is derived from an Arabic word *Salema* which means, peace, purity submission and obedience. Islamic ethics takes a God-centred view and emphasizes on the importance of integrating worldly affairs with religion.

Therefore, regardless of their environment, humans, especially Muslims, are believed to have a moral responsibility to submit to Allah's orders and strictly follow Islamic principles without compromise (i.e. as revealed in the *Al-Quran* and *Sunnah*). Humans have been granted the faculty or intelligence to discern God's will and to abide by it as obedient servants. This faculty most crucially involves reflecting over the meaning of existence which ultimately points to the reality of Allah or God as the Creator and determinant of everything in life—in this Earth and the hereafter. As believers, Muslims are expected to internalize the fundamental principles of *Iman* (i.e. a Quranic term for faith) which will lead to *Taqwa* (i.e. a Quranic term for piety). Figure 1.3, 1.4 and 1.5 represent the five principles of *Islam*, the six principles of *Iman* and more elaboration on *Taqwa* to be internalized by Muslims.

The Five Pillars of Islam

The 'Five Pillars' of Islam forms the foundation of Muslim life:

➡ Faith or belief in the Oneness of God and the finality of the prophet hood of Muhammad (*shahadah*)

➡ Establishment of the daily prayers (5 times a day)

➡ Concern for and almsgiving to the needy (*zakat*)

➡ Self-purification through fasting (fasting in the month of *Ramadhan*)

➡ The pilgrimage to Makkah for those who are able

(*Source*: http://www.islam101.com/dawah/pillars.html)

Figure 1.3: The five pillars of Islam

The Six Pillars of *Iman*
(***Iman*** is Faith or Belief)

Belief in the angels

Belief in Allah

Belief in the revealed books

Belief in the predestination by Allah of all things, both the (seemingly) good and the (seemingly) bad

Belief in the commissioned Messengers (peace be upon them)

Belief in the resurrection and the events of *Qiyamah*

(*Source*: http://www.missionislam.com/knowledge/sixpillarsiman.htm)
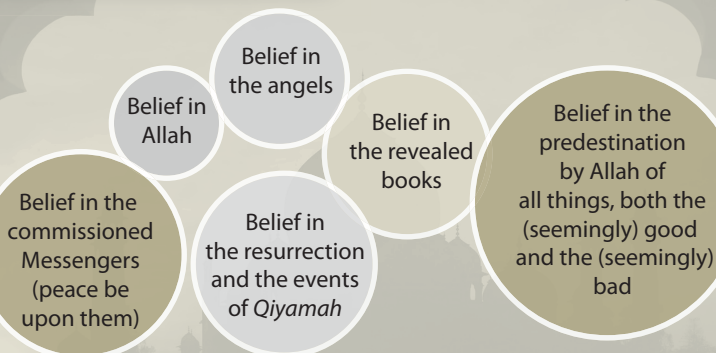
Figure 1.4: The six pillars of *Iman*

(*Source: Green, 2008*)

Figure 1.5: *Taqwa*

Ethics in Islam therefore addresses every aspect of a Muslim's life—for self, others and the physical world. Similar to the study of ethics, though different in scope and nature is *ilm al-akhlaq* in Islam. *Al-Akhlaq* is derived from the root word *khuluq,* which means to create, to shape and to give form. Accordingly, *ilm al-Akhlaq,* as a branch of knowledge, is a science which deals with the ways to maintain virtues at their optimum level, i.e. to avoid wrongdoing and to do what is right and desirable (McDonough, 1984).

Muslims must not only be virtuous, but they must also enjoin virtue. They must not only refrain from evil and vice, but they must also forbid them while going through the challenges of life. Muslims are also taught to act fairly and uphold justice in their dealings since every action will give an impact on others; be it humans or non-humans (Syed Othman and Aidit, 1994). They are always encouraged to emulate the four attributes of Prophet Muhammad SAW, the role model of the *mukmins—fatanah* (i.e. intelligent and sagacious), *amanah* (i.e. faithful and trustworthy), *siddiq* (i.e. truthful and righteous) and *tabligh* (i.e. informative and conveying the truth; never withholding what has been revealed to them).

To summarize, Islamic ethics strongly view that it is important to integrate worldly affairs with religion. Islam takes a God-centred worldview compared to the secular worldview which separates worldly and religious affairs. As a *Khalifah,* Muslims have to consistently strive and promote the well-being of the *ummah* and the society at large. As *mukmins (i.e. a believer; Muslims who religiously follow the rules of Al-Quran),* they will keep Allah in their hearts and regard the materialistic world as a platform or medium to ultimately gain the rewards in *akhirah* (the world hereafter) by doing good deeds. Material being is not seen as pride or a means to fulfil one's egoism but it becomes a tool to contribute towards the *ummah* which will finally determine one's destiny—heaven or hell in the hereafter. For the *mukmins*, the entire life is one of worship/*Ibadah.* Life is therefore a *jihad* or sacrifice. It is not only about pleasing oneself and other fellow humans. Ultimately, life is to fulfil the expectations of the Creator, Allah SWT through total submission to Him for a promise made to all *mukmins* or believers—to enter heaven in the world after.

Quoting from the verses of the *Al-Quran*:

'O My servants who believe! Surely My earth is vast, therefore Me alone should you serve. Every soul is going to face death, and then to Us you shall be brought back. And for those who believe and do righteous deeds, We will most surely establish them in a lofty place in Gardens beneath which rivers flow, abiding therein. Excellent is the reward of the workers; those who are patient, and put their trust in their Lord.'

(*Al-Quran, Surah Al-'Ankabut: 56-59*)

Values and Ethical Components in Islamic Management

Religious Values	Professional Values	Personal Values	Quality Values
Taqwa (God consciousness), *syukur* (gratitude; being grateful), *Tawakkal* (relying on Allah after making own efforts), *Muhasabah* (self-evaluation), Justice and *amar makruf nahi munkar* (promoting good and forbidding evil).	Education, skill, honesty, punctuality, trustworthy and *Syura* (consultation).	Accountability, Moderation, Excellence, Patience, Tolerance, Humble, Salam.	Quality, Productivity, *Itqan* (i.e. the level of quality work), *Istiqamah* (commitment, being straight and steadfast), Efficiency, creativity, innovation, collectivity, *Ihsan* (benevolence i.e. being kind and helpful).

(Adapted from '*The Role of Islamic Ethics in Organizations*: An Experience in Malaysia' , USM)

Figure 1.6: Values and ethical components in Islamic management

Figure 1.6 shows the religious, professional and quality values and ethic components in Islamic management to be internalized by all Muslims in striving for a rewarding life.

We shall look at Buddhism next.

1.6.2   Buddhist Ethics

Buddhism comes from the word *budhi* which means 'to awaken'. Buddhist ethics are traditionally based on the enlightened perspective of the Buddha, or his enlightened followers. Siddhartha Gotama (i.e. the Buddha) was born into a royal family in Lumbini, now located in Nepal, in 563 BC. At 29, he realized that wealth and luxury did not guarantee happiness, so he explored the different teachings, religions and philosophies of the day, to find the key to human happiness. After six years of study and meditation, he finally found 'the middle path' and was enlightened. After enlightenment, the Buddha spent the rest of his life teaching the principles of

Buddhism comes from the word *budhi* which means to awaken. The foundation of Buddhism is the *Pancasila*. The basic concepts of Buddhism can be summarized by the Four Noble Truths and the Noble Eightfold Path.

Buddhism—called the Dhamma, or Truth—until his death at the age of 80. He was not a prophet, nor did he claim to be. He was a man who taught a path to enlightenment from his own experience.

Most scholars of Buddhist ethics rely on the examination of Buddhist scriptures, and the use of anthropological evidence from traditional Buddhist societies, to justify claims about the nature of Buddhist ethics (Keown, 2000). According to traditional Buddhism, the foundation of Buddhism is the *Pancasila*—no killing, stealing, lying, sexual misconduct or intoxicants i.e. losing one's mindfulness. The initial precept is non-injury or non-violence to all living creatures, be it humans or non-humans. To become a Buddhist, a person is encouraged to vow to abstain from indulging in immoral actions. This is referred as *vinaya*. The Buddha taught many things, but the basic concepts in Buddhism can be summed up by the Four Noble Truths and the Noble Eightfold Path.

The First Noble Truth is that life is suffering i.e. life includes pain, getting old, disease, and ultimately death. Humans also endure psychological suffering like loneliness, frustration, fear, embarrassment, disappointment and anger. Buddhist ethics explain how suffering can be avoided in order to achieve true happiness.

The Second Noble Truth is that suffering is caused by craving and aversion. One will suffer if he or she expects other people to conform to his/her expectations. Instead of constantly struggling to get what we want, we should try to modify our wants.

The Third Noble Truth is that suffering can be overcome and happiness can be attained; that happiness and contentment in the true sense are thus possible. When we give up useless craving and learn to live each day at a time (not dwelling in the past or the imagined future), then we can become happy and free. We then have more time and energy to help others. This is Nirvana.

The Fourth Noble Truths states that the Noble Eightfold Path is the path which leads to the end of suffering. The threading of the Noble Eightfold Path is essential to self-deliverance. To quote the teaching of the Buddha:

> *'Cease to do evil, learn to do good, cleanse your own heart.'*
>
> *(Humphreys, n.d.)*

Noble Eightfold Path of Buddhist Ethics

1. Right Views or Preliminary Understanding
2. Right Aims or Motives
3. Right Speech
4. Right Acts
5. Right Livelihood
6. Right Effort
7. Right Concentration or Mind Development
8. Right *Samadhi*, leading to full Enlightenment.

(*Source*: Humphreys, n.d.)

Figure 1.7:   Noble Eightfold Path

To summarize, from potential to actual enlightenment, there lies the Middle Way—from desire to peace, a process of self-development between the 'opposites', avoiding all extremes. The heart and mind must be developed equally. Buddhism teaches that wisdom should be developed with compassion. Compassion includes qualities of sharing, readiness to give comfort, sympathy, concern and caring. In Buddhism, one can really understand others when one is able to understand his or her own self, through wisdom.

To many, Buddhism goes beyond religion. It is more of a philosophy or 'way of life'. It is a philosophy because philosophy means 'love of wisdom' and the Buddhist path can be summed up as follows:

- To lead a moral life.
- To be mindful and aware of thoughts and actions.
- To develop wisdom and understanding.

Buddhism is also a belief system which is tolerant of all other beliefs or religions. Buddhism agrees with the moral teachings of other religions but Buddhism goes further by providing a long-term purpose within our existence, through wisdom and true understanding (BuddhaNet, n.d.).

Let us look at Christianity and the ethical values that are taught to its followers.

1.6.3   Christian Ethics

Christianity offers a view of human beings as unique products of a divine intervention that have been endowed with consciousness and the ability to love (Shaw, 2011). Christian ethics in general has tended to stress the need for love, grace, mercy and forgiveness because of sin. It is not substantially different from Jewish or even Islamic traditions. While Islam and Judaism are based on the teachings within *Al-Quran* and *Torah* respectively, Christian ethical principles are based on the teachings within the Bible. These principles begin with the notion of inherent sinfulness, which requires essential atonement. Sin is estrangement from God which is the result of not doing God's will. God's will is interpreted by the precept:

> *'Love God with all your heart, soul, mind, strength and your neighbour as yourself'.*

This precept is commonly called the Great Commandment.

In summary, the key principles of Christianity (i.e. the Kingdom of Heaven where Christ is King according to Scripture) are based on the following:

- Humility or faith and trust in God.
- Communication with God through prayer and self-denial.
- Observance of The Law which is written in Scripture and in the hearts of those who love the truth.
- The offering of sacrifice to God and partaking of the sacrificial offering (various animal and bird offerings in the Old Testament, the Lamb of God in the New Testament, the sacrifice of the Mass in the Catholic Church).

Belief in Jesus Christ and following Him in a personal relationship is the central principle under which all others come. This personal relationship with God which salvation brought it into being can never be earned by personal devotion or works of The Law. People get close to Jesus because His Spirit lives inside of the believer and so is always with them. This feeling among the Christians very much resembles the

Christianity views humans as unique products of a divine intervention that have been endowed with consciousness and the ability to love. Christian ethics stress on the need for love, grace, mercy and forgiveness because of sin.

Muslims' love for Prophet Muhammad SAW, as a Messenger of Allah SBT and a role model of the *mukmins.*

Lastly, we examine Hinduism and the ethical values that are embedded in its principles.

1.6.4   Hindu Ethics

Hinduism is related to reincarnation, which is a way of expressing the need for reciprocity, as one may end up in someone else's shoes in their next incarnation. Hindu ethics places emphasis on one's intention. Therefore, selfless action for the benefit of others without thought for oneself is an important principle in Hinduism. This is known as the doctrine of *karma yoga.* Kindness and hospitality are key Hindu values. Also, more emphasis is placed on empathy compared with other traditions. The Mother is a Divine Figure in Hindu Ethics, as seen in the creative female Hindu ethos of the Devi. Of all the religions, Hinduism is among the most compatible with the view of approaching truth through various forms of art.

The basic philosophy of Hinduism is that God is Omnipresent and Omnipotent, God appears in everything, living and non-living. This is the reason why Hindus seem to worship almost everything. Hindus consider any life form sacred because it is a manifestation of God. Hindus believe in many Gods because they resemble the attributes of the Supreme Divine. He is the origin of everything—all knowledge, one's emotions and all actions. The several Gods in Hinduism resemble the various sub-sets of qualities that human beings can imbibe. For example, a *Hanuman-bhakt* would be interested in maintaining celibacy, honesty and loyalty to the master.

Hinduism has different strata of spirituality. At the lowest level, the Hindu goes to a temple and worships the idol. The next level is when one prays to Him with prayers in any language and sings His praise. The highest level is when one renounces all these 'guides' to reaching Him and directly meditates thinking of the Supreme Divine or Brahman. Each individual is given the freedom to choose his mode of worship and connecting to the Divine.

We have elaborated on the various religions embraced by Malaysians in the spirit of 1 Malaysia with openness and respect for humans as a general right. We have also seen the ethical values to be emulated by the followers of each religion. You must have noticed the similarities and differences between these religions, much as we respect that the choice of religion as a negative right, i.e. free from outside or other people's interference.

Next, we shall compare and contrast the Eastern and Western perspectives on ethics.

> Hinduism is related to reincarnation, a way of expressing the need for reciprocity. Hindu ethics places emphasis on one's intention, summarized as the doctrine of *karma yoga.* Kindness and hospitality are key Hindu values.

1.7   EASTERN AND WESTERN PERSPECTIVES ON ETHICS: IS THERE A DIFFERENCE?

Is there a real difference between the Eastern and Western perceptions on ethics?

Let us begin by revisiting the issues of religion and culture to spur discussions. As seen in our earlier elaborations, most religions, despite differences, have a firm belief in the

existence of God. We have also noted in the early part of this chapter that religion provides its believers with a worldview and strong composition of conduct, part of which involves moral instructions, values and commitments (Shaw, 2011). However, the question remains whether a community still upholds and internalizes religious principles in their lives.

The East has been known to uphold religious principles and cultural values more than the West. To reiterate, the Rukun Negara or National Principles in Malaysia has stated 'Belief in God' as its main principle; signifying the prominent role of religion in Malaysian society despite its cultural diversity and religious differences. The legal system of the country is very much intertwined with religious principles. Religion is openly discussed in society and there is high respect and tolerance for people in the community despite the differences.

In contrast, in Western society, religion is a privacy issue, much as the East and West share that it is a negative right (i.e. a human right, to be free from outside interference). Religion does not seem to be openly discussed by the Western community. Although the majority of Westerners are believers of Christianity, according to Bloomsfield, religious words such as 'God', 'devil', 'heaven', 'hell', 'Christ' and 'Jesus' are available to people only on religious or solemn occasions. In contrast, Eastern culture does not seem to have serious religious 'taboos'. It is normal for people to use religious words and discuss religion in casual conversations. Most people are free to talk about any goddess to their hearts' content (Ying Zhang, 2012). This point implies that religion is still part and parcel of life in the East. Therefore, it may be suggestive that one's ethical values are developed and internalized through religious commitments.

> In western society, religion is a privacy issue. In contrast, Eastern culture does not seem to have serious religious 'taboos'. Religion is part and parcel of life in the East.

In contrast, the West has somewhat compromised religious principles for liberal universalism and secularism to promote objectivity, rational thinking and freedom of thought. Although Western ethics is supposed to be Judeo-Christian, secularism has been widely applied in the conduct of everyday life including state affairs. The foundation of secularism is the separation of religion and state. Secularism is about ensuring that the freedoms of thought and conscience apply equally to all believers and non-believers alike. It also promotes freedom of speech and expression, a framework for a democratic society and human rights.

Quoting from a relevant statement by Barrack Obama, the President of America:

'Democracy demands that the religiously motivated must translate their concerns into universal, rather than religion-specific values. Their proposals must be subject to argument and reason, and should not be accorded any undue automatic respect.'

(National Secular Society, n.d.)

Much as we respect these views and note that religion may play a role in shaping the ethical values of the West, secular principles are equally strong in contrast with the East which sees religion as part and parcel of life, including state affairs. Religion may have a greater influence in shaping ethical values of the East compared to the West due to the difference in the God-centred versus secular world views. The West may place more value on the application of universally accepted 'man-made' ethical theories/principles to resolve ethical issues. To mention a few, they may apply Mill's Rule Utilitarian Ethics, Kant's Ethics of Duty or the Golden Rule compared with the East, which may ultimately fall back on religious or cultural principles although references may be made to these theories/principles in the decision-making process.

> Religion may have a greater influence in shaping the ethical values of the East compared to the West due to the difference in the God-centred versus secular world views.

Next, we shall focus on culture and its influence on ethical values to see whether there are differences between the perceptions of the East and the West. Redding and

Wong (1986) reviewed a number of empirical studies on how cultural characteristics contribute to the new economic power of East Asia. One of the cultural characteristics is about ego needs versus social needs. The cross-cultural comparison reflects that, in the East, social needs take a greater significance as part of an individual's psychology composition; in contrast to Westerners, for whom ego-centred needs such as self-actualization tend to dominate. Aptly, the East values harmonious interpersonal relationships and promotes collectivism more than individualism as promoted by the West in support of privacy as a negative right.

Morgan (1986) cited in Bob (2009) explains why the Japanese economy is successful from a cultural perspective. He points out that the cultural values of the rice field (i.e. cooperation and teamwork) combined with the samurai tradition of service (i.e. of willingness to share) account for its success. These cultural aspects promote conformity and tradition that are favoured over opportunism and individuality, more common in Western society (Bob, 2009).

Eastern culture is more likely to emphasize the importance of family, clan, group, organization or society, in which an individual life may represent a tiny thread of the greater fabric. It manifests the view that group benefits are more important than pandering to personal desires (Bob, 2009).

From the above explanations, we may conclude that there are differences in how the East perceives ethics as compared with the West. The East seems to place emphasis on religion as a dominant factor influencing ethical values whereas the West may view otherwise due to the strong hold of secularism as a worldview. In addition, the West is seen to be promoting individualism as a sign of respect for human rights and privacy whereas the East still values collectivism and community living although individual rights are duly recognized.

We earlier mentioned that the West has also developed the Golden Rule as an ethical principle to be used in the globalization era. It is also applicable in the conduct of business. The following section describes these principles in greater detail as a piece of literature in our study of business ethics.

1.7.1   The Golden Rule Ethical Principles

There are six principles:

- ■   The Golden Rule
- ■   Immanuel Kant's Categorical Imperative
- ■   Descartes' Rule of Change
- ■   Utilitarian Principle
- ■   Risk Aversion Principle
- ■   Ethical 'no free lunch' rule

The Golden Rule
suggests that we act
in the manner we
would like others to
treat us.

The Golden Rule suggests that we should act in the manner we would like others to treat us (i.e. doing unto others as you would have them do unto you). Refer to Figure 1.8 to see an illustration of the universality of the Golden Rule in the world religious. Kant's Categorical Imperative suggests that if an action is not right for everyone to take, then it is not right for anyone to take (i.e. the principle of universalizability). Descartes' Rule of Change, also known as the Slippery Slope Rule, suggests that if an action cannot be taken repeatedly, then it is not right to be taken at any time. The Utilitarian Principle suggests taking the action that achieves the higher or greater value after weighing the costs and benefits or consequences. The Risk Aversion

Principle suggests taking the action that produces the least harm or the least potential cost. The Ethical 'No Free Lunch' Rule says that virtually all tangible and intangible objects are owned by someone unless there is a specific declaration otherwise.

The Universality of the Golden Rule in the World Religions

Buddhism
'Hurt not others in ways that you yourself would find hurtful.'
Udana-Varga 5,1

Hinduism
'This is the sum of duty; do naught onto others what you would not have them do unto you.'
Mahabharata 5,1517

'Treat others as you would want others to treat you.'

Christianity
All things whatsoever ye would that men should do to you, do ye so to them; for this is the law and the prophets.'
Matthew 7:1

Islam
'No one of you is a believer until he desires for his brother that which he desires for himself.'
Sunnah [Sahîh al-Bukhârî and Sahîh Muslim]

(References: TeachingValues.com, n.d.; IslamToday, n.d.).

Figure 1.8: The Golden Rule

We shall learn in greater detail about the Utilitarian Theory and Kant's Ethics of Duty in Chapter 3.

Much as we note that the East and the West may share different views and perceptions on ethics, there are universally accepted moral values that must be internalized by mankind in order to lead rewarding lives on Mother Earth irrespective of differences in culture, religion and world view. The following section will discuss these values in greater detail.

1.8   UNIVERSALLY ACCEPTED MORAL VALUES

Figure 1.9 lists down several universally accepted basic moral values, among many others, as a reference in our study of ethics.

Universally Accepted Basic Moral Values

Good values
- Compassion
- Courage
- Honesty
- Integrity
- Respect for human life
- Self control

Bad values
- Cheating
- Cowardice
- Cruelty
- Deceit
- Greed
- Lying
- Selfishness
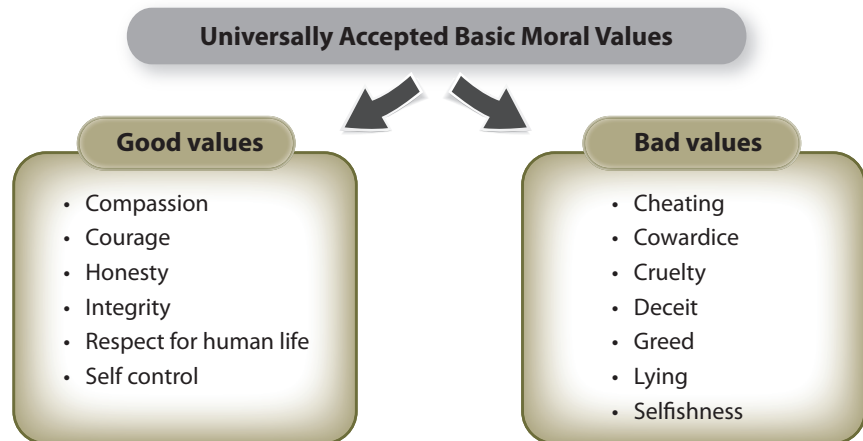
Figure 1.9: Universally accepted basic moral values

Let us elaborate on the good moral values or virtues. Note that many of these values have been identified from Aristotle's Virtue Ethics Theory. They are also promoted by Islam and other religions.

1.8.1   Compassion

Compassion is the virtue of empathy for the suffering of others. More often, it is used interchangeably with empathy, altruism, kindness and love. Other values that manifest compassion are caring, concern and friendship. Compassion transcends religious, ideological and national differences. In support of universalism, compassion is also a virtue identified by the Golden Rule—'*Do to others what you would have them do to you.*' Lack of compassion, by contrast, marks a person as cruel.

Quoting from the words of the Buddha:

'Compassion is that which makes the heart of the good move at the pain of others. It crushes and destroys the pain of others; thus, it is called compassion. It is called compassion because it shelters and embraces the distressed.'

1.8.2   Courage

Courage is doing the right thing despite the cost. It is the ability to face danger, pain and other tests of life without showing fear. According to Aristotle, courage is the virtue of responding to fear with a reasonable amount of daring (Boatright, 2007). It is always associated with bravery and doing the right things despite the cost (Khalidah *et al.,* 2010). A courageous person will not hesitate to uphold justice and fairness in all situations. He or she normally has commendable drive and will positively face the

challenges of life with a hope for a better future. He or she will also take calculated risks and act with prudence. Certainly, a courageous person is one who displays high perseverance and will never give up!

1.8.3   Respect for humans and non-humans

This is a sub-trait of integrity. **Respect**, also considered as a synonym for politeness or manners, is basically an attitude that is shown towards any individual's feelings or interest. It is acknowledging another's feelings in any kind of relationship. It may not necessarily be feelings shared between individual human beings only. It also relates to how we treat non-humans/other creations of the Almighty. Moreover, it also covers one's positivity, tolerance and understanding of the differences between the perceptions, views and diversity of the various people of the world. Respect therefore has relevance to a famous phrase '*treat others the way you want to be treated*'. It is also implied by Emmanuel Kant's second categorical imperative '*act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only*' (Boatright, 2009). An individual should respect the different interests and opinions of others since human beings are diverse and non-homogenous (Hyman, 1996).

In Malaysia, respect for the elderly and hierarchy are central to society (Abdullah, 1992). Consistent with this value, small and young children are taught to obey and listen to their elders and authority figures. Those who do not respect other people, especially the elderly, are considered rude. In the business environment, an individual should not reduce the level of respect of other employees by not giving recognition when it is warranted. An individual should also not refuse the input of other employees or display rude behaviour toward others (Stanwick and Stanwick, 2009).

1.8.4   Self-control

Self-control refers to one's ability to control desires through strong willpower. A person with self-control will display patience and calmness, and will always strive to control his or her temper as anger is a bad moral value. He or she will consistently display emotional strength and stability when faced with uncertainty or tests in life. Self-control also refers to one's ability to avoid wrongdoing and promotes rightness in actions. In Islam, the foundation of self-control and good behaviour is *solat* i.e. praying five times a day. *Solat* in itself promotes one's commitment towards *amar makruf nahi mungkar* (i.e. doing good deeds and forbidding evil/avoiding bad behaviour).

1.8.5   Honesty

Honesty is telling the truth, not lying, cheating or stealing. Honesty and truthfulness mean keeping one's commitments and transparency in life. Honesty is a sub-trait of integrity. It is among the most emphasized qualities in Islam (Haneef, 1979). Absolute honesty in all personal relationships and interactions, in business dealings and transactions, and in the administration of justice are the most fundamental ethical concepts and principles. The *Al-Quran* repeatedly stresses the values of honesty and truthfulness. For instance, in *Surah Al-Maarij* verses 32 and 33:

> '*The virtuous are those who honour their trusts and promises and those who stand firm in their testimonies.*'

Good moral virtues:
- Compassion
- Courage
- Respect for humans and non-humans
- Self-control
- Honesty
- Integrity

Next in *Surah Al-Isra'* verses 34 and 35, again we read:

'And keep your commitment, verily concerning commitments you will be questioned. Fill the measure when you measure, weight with a right balance. This is good and right in the end'.

In addition, the Prophet SAW also most emphatically said:

'There are three characteristics of a hypocrite: when he speaks he lies, when he makes a promise he breaches it, and when he is trusted he betrays'.

It is self-training that makes honesty a culture and habit of people at all levels of society (Sayed Sikandar, 2006).

1.8.6   Integrity

Integrity is being upright and honest (Khalidah *et al.,* 2010). A person of integrity will always uphold good values and principles in life. A renowned Malaysian motivator, Dr. Danial Zainal Abidin, defines Integrity as *Taqwa*, a Quranic terminology for 'God consciousness or fear of God'. Donald Zauderer listed thirteen (13) specific behavioural traits that can help identify the level of integrity in individual actions (Stanwick and Stanwick, 2009) (see Figure 1.10).

Behaviour of People with High Integrity

- ▲   They possess humility.
- ▲   They are concerned about the greater good.
- ▲   They are truthful.
- ▲   They fulfil commitments.
- ▲   They strive for fairness.
- ▲   They take responsibility.
- ▲   They respect individuals.
- ▲   They celebrate the good fortune of others.
- ▲   They develop others.
- ▲   They reproach unjust acts.
- ▲   They are forgiving.
- ▲   They extend themselves to others.
- ▲   They develop a sense of ethics wherever they are, in any situation.

Figure 1.10: Behaviour of people with high integrity

Integrity is among the list of values of a virtuous business person as identified by Professor Robert Solomon in his book, 'A Better Way to Think about Business' (Jennings, 2006). It has also been adopted as a code of ethics by many business organizations including Malaysian multinational companies like PETRONAS as

Virtue: Standards and definitions

Virtue	Definition
Ability	Being dependable and competent
Acceptance	Making the best of a bad situation
Amiability	Fostering agreeable social contexts
Articulateness	Ability to make and defend one's case
Attentiveness	Listening and understanding
Autonomy	Having a personal identity
Caring	Worrying about the well-being of others
Charisma	Inspiring others
Compassion	Sympathetic
Cool-headedness	Retaining control and reasonableness in heated situations
Courage	Doing the right thing despite the cost
Determination	Seeing a task through to completion
Fairness	Giving others their due, creating harmony
Generosity	Sharing, enhancing others' well-being
Graciousness	Establishing a congenial environment
Gratitude	Giving proper credit
Heroism	Doing the right thing despite the consequences
Honesty	Telling the truth, not lying
Humility	Giving proper credit
Humour	Bringing relief, making the world better
Independence	getting things done despite bureaucracy
Integrity	Being a model of trustworthiness
Justice	treating others fairly
Loyalty	Working for the well-being of an organization
Pride	Being admired by others
Prudence	Minimizing company and personal losses
Responsibility	Doing what it takes to do the right thing
Shame (capable of)	Regaining acceptance after wrong behaviour
Trust	Dependable
Spirit	Appreciating a larger picture in situations
Saintliness	Approaching the ideal in behaviour
Toughness	Maintaining one's position
Trustworthiness	Fulfilling one's responsibilities
Wittiness	Lightening the conversation when warranted
Zeal	Getting the job done right; enthusiasm

(*Source*: Jennings, 2009)

Figure 1.11: Standards and definitions of virtue

well as the civil service sector. The development of the National Integrity Plan (NIP) and establishment of Institut Integriti Malaysia (IIM) have certainly justified the importance of integrity, a value to be internalized among the Malaysian community as the country aspires to be a developed nation by 2020.

Following our detailed explanations on the main universally accepted moral values to be internalized by all humans in all situations, let us now focus on other virtues as listed in Figure 1.11, which may be applied in business or non-business situations as we play our diverse roles.

1.9 ETHICS AND ITS IMPORTANCE IN BUSINESS

This introductory chapter has so far outlined the concepts of ethics in life, the factors contributing to ethical development, role of religion in shaping ethical values and virtues that are universally accepted as good moral values to be internalized by all of us. Before ending this chapter, let us now link the concept of ethics with the business world and briefly discuss its importance in the challenging global environment of today.

1.9.1 The business environment in a global context

One distinguishing feature of a business organization is its economic character—to make profits. Individuals also assume different roles in the organizational hierarchy to realize the organization's vision and mission. There are also many stakeholders in a business.

The term 'business' or business organization refers to an organization whose objective is to provide goods and services for profit. Business people are those who participate in planning, organizing or directing the work of businesses. One distinguishing feature of a business organization is its economic character. Because of its uniqueness, there is a branch of Islamic knowledge called *Muamalat*, which only focuses on the art of conducting businesses according to Islamic principles. Muslim students may want to do their own research on this to enhance their business ethics knowledge.

The workplace in itself may be regarded as a family or community. Employees and employers interact with one another to achieve the organization's vision, mission and objectives. Although the workplace is a family or community in itself, we interact with each other not as family members or friends but as buyers and sellers, employers and employees, etc. We assume different roles in the organizational hierarchy to realize the organization's vision and mission. There are also many stakeholders in a business. They include shareholders, competitors, suppliers, customers, bankers, government agencies, non-governmental organizations and the community where the business is operating. The bigger the business operation and the more global it becomes, the more the number of stakeholders and the greater the challenge to balance their needs, pertinent for business sustainability. This is where ethics becomes a critical component in the conduct of any business activity.

We have earlier noted the collapse of giant American corporations when ethics is compromised in business operations. The lessons learned from the collapse of Enron, Arthur Anderson, etc. and the consequences of unethical behaviour and unethical business institutions such as San Lu Corporation are too serious to be ignored (Desjardins, 2009; Khalidah *et al.*, 2012a). By now, we should be fully convinced that ethics is not only important in private life but also in the world of business. It is

important for business people to be ethical as being ethical in business is actually no different than being ethical in private life. Aptly, ethics is not an oxymoron but a must in business!

The issue is how do business people conduct themselves ethically? How do we manage businesses effectively without compromising on ethics? This is the real challenge because it requires courage, respect for humans and non-humans, honesty, integrity, etc. We all know these values up front but how do we translate them into actions? It definitely requires conscience and altruism because we are conducting businesses not only to maximize profits for the organization's sustainability but for the well-being of the *ummah* as a social responsibility and as a matter of accountability— as a *khalifah!*

Today, business people have many reasons to be concerned with the ethical standards of their organizations. One of the main reasons is that values and societal norms have somewhat undergone a lot of changes in the past few decades (Khalidah *et al.,* 2012a), especially among the younger generation. For example, at the workplace, Generation Y employees who grew up in the information and communication technology era are more likely than others to see unethical behaviour as justifiable in pursuit of their goals. They are more liberal. They typically want instant rewards and gratification. They may believe it is sometimes necessary to cheat, plagiarize or lie in order to succeed (SnapComms, 2010).

Realizing this challenge, most established business organizations have formally developed either compliance or integrity-based code of ethics as well as business ethics guidelines to remind employees of the importance of ethics at the workplace. For example, PETRONAS has not only developed its Shared Values and Brand Essence as shown in Figures 1.12 and 1.13, but it has recently published a booklet entitled PETRONAS Code of Conduct and Business Ethics. It is distributed to all employees in an effort to emphasize ethics in the conduct of its global business.

> Code of ethics has been developed by many organizations to remind employees of the importance of ethics while performing their roles at the workplace. Code of ethics may be compliance-based or integrity-based.
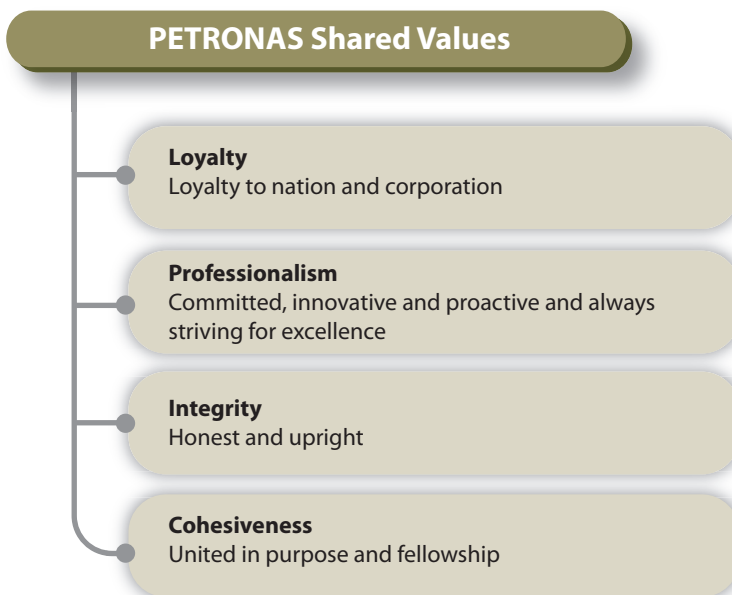

Figure 1.12: Shared values of PETRONAS

Petronas Brand Essence
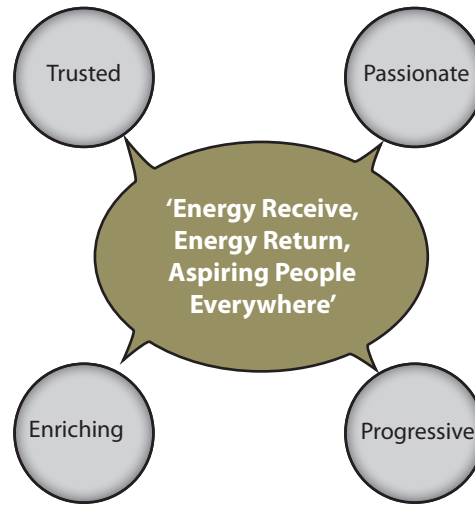
Figure 1.13: Brand essence

1.9.2   The importance of managing businesses ethically

It is important to conduct business ethically to keep existing customers, to avoid lawsuits, to reduce employee turnover and to please main stakeholders.

While code of ethics remain a common feature, organizations of today have realized the importance of institutionalizing ethics at the workplace and the need to manage businesses ethically for the following reasons:

- To keep existing customers—reputable organizations will maintain customer loyalty and business sustainability.
- To attract new customers—good business or corporate image will attract new customers and increase profitability.
- To avoid lawsuits—reputable organizations will not hesitate to comply with laws and regulations to maintain their good image and dignity.
- To reduce employee turnover—reputable organizations will be able to maintain employee loyalty, thus reducing employee turnover. This will subsequently increase organizational effectiveness.
- To please customers, employees and society—good organizations will strive to fulfil the needs of main stakeholders, i.e. customers, employees and the community they serve.

We shall conclude this chapter by re-emphasizing that ethics is important in life, be it in business or non-business organizations. The cost of compromising ethics to fulfil self-interests in this challenging global environment is far too expensive to incur. Truly, the bad consequences will outweigh the good consequences; be it in the short term or the long term. We certainly cannot refer to ourselves as civilized societies if we do not internalize ethical values in our lives!

As we move along in our study of business ethics, we will take a broader look at work place issues that link employees and employers together, as stakeholders in a business. For example, discrimination, whistle-blowing, unjust dismissal, occupational health and safety hazards, etc. We shall look at the importance of ethics in the conduct of marketing, an essential function in any business. We shall integrate ethics with typical

business issues such as the need to preserve trade secrets, avoid conflicts and conduct sustainable business with good governance as a social responsibility.

Surely, we shall apply ethical principles and moral reasoning in this process. Our next chapter will further examine the issue of internalizing ethics in the conduct of business.

SUMMARY

To consolidate your learning, the learning outcomes are summarized below:

1. **Define and differentiate between ethics and morality.**
   Morality is concerned with the norms, values and beliefs embedded in social processes which define right or wrong for an individual or a community. **Ethics**, in contrast, is the study of moral standards whose explicit purpose is to determine, as far as possible, whether a given moral standard or judgement based on that standard is more or less correct (Velaquez, 2006). This therefore demands for analytical thought and application of reason to determine specific rules, principles or ethical theories that determine right or wrong for a given situation. In addition, these rules and principles must give an account of the rights or entitlements we have and what is just or fair (Boatright, 2007).

2. **Understand how ethics is developed in an individual.**
   Ethics comes from our inner feelings which subsequently translate into our moral behaviour. Ethics thus begins with each one of us. As humans, we are fully responsible for our ethical or unethical behaviour. According to Griffin and Ebert (2007), ethical behaviour conforms to ethical beliefs and social norms about what is right and good. Conversely, unethical behaviour conforms to individual beliefs and social norms that are defined as wrong and bad.

3. **List and explain the various factors that influence ethical values of an individual.**
   Several social, cultural and environmental factors influence one's ethical values.
   They include:
   - Upbringing
   - Socialization process (i.e. the behaviour of surrounding people)
   - Experience and critical reflections on those experiences
   - The explicit and implicit standards of culture
   - Religion

4. **Compare and contrast between ethics and legality.**
   Ethics covers a broader scope. It relates to questions of right and wrongdoing, rights and justice. Ethics reflects people's relations with one another—how should people treat others? What responsibility should they feel for others? Legality carries a narrower scope. It refers to laws that we have written to protect ourselves from fraud, theft and violence. No doubt, an ethical person is someone who obeys the law. However, obeying the law need not necessarily justify that a person is ethical. Many immoral and unethical acts fall well within our laws (Nickels *et al.*, 2008). They need not necessarily drive one's conscience to internalize good values, reflective of an ethical person. Ethics therefore rests upon one's conscience and commitment to do good deeds as a social responsibility under all circumstances.

5. **Compare between Western and Eastern perspectives on ethics.**
   There are apparent differences on how the West and East perceive ethics.
   - The West has somewhat compromised religion as a factor influencing ethics in support of secularism and universalism. The East still sees religion as an important contributing factor to shape one's ethical values.
   - The West has placed emphasis on secularism and universalism as ideologies to shape not only individual ethical values but to construct the state. These form the foundation of human rights, freedom of thought and rational thinking of the West.
   - In resolving ethical issues, the East has been seen to fall back more on religious and cultural principles, much as the East respects the 'liberal/universalistic' views of the West. Man-made ethical theories and principles such as Utilitarian Ethics, Theory of Rights, Justice, etc. which are practically based on rational thinking and objectivity seem to be applied more by the West compared to the East.

6. **Relate the role of religion as an important contributing factor in shaping ethical values of individuals.**

   All religions teach their followers good ethics to lead rewarding lives. Refer to the explanations on how ethics is taught and embedded in the followers of the various religions as outlined in this chapter—Islam, Christianity, Buddhism and Hinduism.

7. **Identify universally accepted moral values.**
   - Compassion
   - Courage
   - Respect for humans and non-humans
   - Self-control
   - Honesty
   - Integrity

8. **Recognize ethics and its importance in the global business world.**
   The global business world opens to a lot of challenges. Apart from fulfilling the profit maximization objective which drives aggressive competition in a free market system, businesses have to face another challenge—managing the global workforce. Society is undergoing a dramatic change in values and societal norms. There has been concerns on the decadence of moral values among the younger generation, especially Generation Y, born between the year 1982-2000 (Farnsworth and Kliener, 2003; Freestone and Mitchell, 2004; Daily Express, 2004; Rusnah, 2005; VietnamNet Bridge, 2008; Srivasta, 2010; SnapComms, 2010; Khalidah *et al.,*2010). Generation Y employees who grew up in the ICT era and represent the bulk of today's workforce are more likely to see unethical behaviour as justifiable in pursuit of their goals.
   While codes of ethics and business ethics guidelines remain as references for employees at the workplace, businesses have realized the importance of upholding ethics for the following reasons:
   - To keep existing customers—reputable organizations will maintain customer loyalty and business sustainability.
   - To attract new customers—good business or corporate image will attract new customers and increase profitability.
   - To avoid lawsuits—reputable organizations will not hesitate to comply with laws and regulations to maintain their good image and dignity.
   - To reduce employee turnover—reputable organizations will be able to maintain employee loyalty, thus reducing employee turnover. This will subsequently increase organizational effectiveness.
   - To please customers, employees and society—good organizations will strive to fulfil the needs of main stakeholders, i.e. customers, employees and the community they serve.

GLOSSARY

Compliance-based code of ethics It stresses the prevention of unlawful behaviour by formulating rules and regulations and imposing penalties on wrongdoers.

Ethics A set of principles that contains behavioural codes to determine what is right or wrong.

Iman An Islamic term for 'faith', i.e. pious and complete adherence to Allah's rules, which is a highly regarded religious ideal in the *Al-Quran*. An individual who has *iman* (faith) is a *mu'min* (believer).

Integrity–based code of ethics It defines the organization's guiding values, creates a workplace environment that is supportive of ethical behaviour and focuses on shared responsibility among employees.

Kantian Ethics An ethical theory which emphasizes that the rightness of human actions depends on one's goodwill or intention out of a sense of duty to fellow humans.

Khalifah A concept by early Muslim scholars which focuses on the status and quality (free will) of humankind *vis-a-vis* other creatures in the universe—leadership, responsibility and accountability.

Legality Statutory laws, rules and regulations set by the government or local authority.

Morality The norms, values and beliefs embedded in social processes which define right or wrong for an individual or a community.

1 Malaysia concept A concept introduced by the current government of Malaysia to harmonize citizens of the different races in the spirit of respect, sincerity and trustworthiness.

Quality of life The general well-being of a society in terms of political freedom, a clean natural environment, education, health care, safety, free time and everything else that leads to one's happiness and satisfaction.

Rukun Negara The National Philosophy of Malaysia, which was officially introduced on 31 August 1970 with the objective to strengthen national unity in Malaysia's multicultural society. The five principles are: (1) Belief in God, (2) Loyalty to the King and country, (3) Supremacy of the constitution, (4) Rule of law, and (5) Mutual respect and morality.

Secularism An ideology which separates religious issues from worldly affairs. The objective is to ensure that freedom of thought and conscience will apply equally to all believers and non-believers alike.

Stakeholders All the people or parties that stand to gain or lose by the policies and activities of a business. They include shareholders, customers, suppliers, bankers, employees, government agencies, non-governmental organizations (NGOs) and competitors.

Standard of living The amount of goods and services people can buy based on their purchasing power.

Sunnah The practices or tradition of Prophet Muhammad SAW.

Taqwa An Islamic term for 'piety', i.e. protection or shield from what is harmful.

Ummah An Arabic word which means 'community' or 'nation'. In the context of Islam, *ummah* is used to mean 'Community of the Believers' (*ummat al-mu'minin),* and thus, the entire Muslim world.

Universalism A theses or principle of Utilitarian Theory of Ethics. The consequences to be considered are those of everyone.

Utilitarian Ethics An ethical theory which emphasizes on our obligation or duty in any situation, which is to perform the action that will result in the greatest balance of good over evil.

Virtue A good character trait or value that a person displays in the conduct of life. This value will be manifested through habitual actions. For example, honesty, sincerity, trustworthiness, etc.

REVIEW AND DISCUSSION

1. Discuss some ethical issues that you have faced as a student in a higher learning institution.

2. Provide your own examples to differentiate between ethics and morality.

3. Several factors influence ethical values. Select ANY one factor and justify its importance in shaping one's ethical values.

4. Explain why ethics is important in life.

5. Is ethics applicable in the world of business? Provide justifications for your stand.

CASE STUDY

Time is of the essence...

Jenny is a private college student. She has been working extra hours at her part-time job in a clothing store. The store needs her help to promote sales because the Mega Sale rush for the coming *Eid Fitri* festival is starting.

She also needs the money to pay her tuition fees next semester and to fix her car so that she can drive home for the long semester holidays. The coming holiday season also means the end of the semester, and unfortunately, final examinations. Jenny simply does not have time to study for all of her examinations as well as work the extra hours she needs.

Something has to be sacrificed, and she decides to pretend being sick on the day of her Business Management final examination paper so that she can take the make-up examination the next week, giving her more time to study.

She knows that it will not be hard to get a medical certificate (MC) from the busy college health clinic saying that she's too sick to take the examination. Her friend, Dennis, works there and can 'borrow' a page of their letterhead stationery.

"Even if I have to lie, it's fair that I get extra time to study," Jenny tells herself, "because I have to work, and I can't study all the time like students who have their parents to pay for everything."

Questions:
1. Jenny seems to see her lie as a simple case of manipulating an unfair system. Is there anything wrong with manipulating the system? Is her strategy fair to the other students in her business management class?
2. Jenny seems to justify her behaviour with a vague idea that 'unfair' differences between people (such as wealth) that have nothing to do with effort or intelligence should not be reflected in their grades. What do you think about her claim that she deserves more time to study than other students because they do not have to earn their own money?
3. Lying is a universally accepted bad moral value. Justify why lying is immoral and unethical.

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Business Ethics

Business Ethics is intended for undergraduate students pursuing business and accountancy courses at local institutions of higher learning. It discusses business ethics in depth from a local perspective. The book opens with discussions on the key concepts and theories of business ethics, followed by important topics such as corporate governance, corporate social responsibility and sustainability. Additional topics covered include consumer ethics and ethics from an Islamic perspective. To help students relate what they have learnt to the real world, topics are punctuated with authentic cases for review.

Key Features:

- Caters for the business ethics syllabi of local business and accounting courses.
- Text is interspersed with authentic case studies to help students link their knowledge of ethics with real-life issues.
- Features a good mix of local and international examples to reinforce students' grasp of key concepts.
- Glossary to enhance the mastery of important terms.
- Review and discussion questions at the end of each chapter to test the understanding of readers.

Student resources
- Online Tests

Lecturer resources
- Teaching PowerPoint Slides
- Solutions Manual
- Test Bank

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