

The significance of Business Psychology and ethics for Entrepreneurs



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Introduction:

Everyone agrees that business managers must understand finance and marketing. But is it necessary for them to study ethics? Managers who answer in the negative generally base their thinking on one of three rationales. They may simply say that they have no reason to be ethical. They see why they should make a profit, and most agree they should do so legally. But why should they be concerned about ethics, as long as they are making money and staying out of jail?

Other managers recognize that they should be ethical but identify their ethical duty with making a legal profit for the firm. They see no need to be ethical in any further sense, and therefore no need for any background beyond business and law.

A third group of manager's grant that ethical duty goes further than what is required by law. But they still insist that there is no point in studying ethics. Character is formed in childhood, not while reading a college text or sitting in class. These arguments are confused and mistaken on several levels. To see why, it is best to start with the question raised by the first one: why should business people be ethical and psychological well ?

There is already something odd about this question. It is like asking, "Why are bachelors unmarried?" They are unmarried by definition. If they were married, they would not be bachelors. It is the same with ethics. To say that one should do something is another way of saying it is ethical. If it is not ethical, then one should not do it. Perhaps when business people ask why they should be ethical, they have a different question in mind: what is the motivation for being good? Is their something in it for them?

It is perfectly all right to ask if there is a reward for being good, but this has nothing to do with whether one should be good. It makes no sense to try convince people that they should be good by pointing to the rewards that may follow. One should be good because "good" is, by definition, that which one should be. As for motivation, good behavior often brings a reward, but not every time. Think about it. If it were always in one's interest to be good, there would be no need for ethics. We could simply act selfishly and forget about

obligation. People invented ethics precisely because it does not always coincide with self interest.

Doing Well by Doing Good

Although ethics is not the same as self interest, business executives often want to be assured that it is the same. They want to make certain that "one can do well by doing good," meaning that one can succeed in business by being ethical. There is no denying that one can often do well by doing good. An ethical company is more likely to build a good reputation, which is more likely to bring financial rewards over the long term. But good behavior cannot be grounded in tangible reward alone. People who are interested only in reward will behave ethically when it suits their purpose, but they will go astray whenever the incentives change.

There is a deeper confusion here, too. To look to ethics for motivation is to misunderstand what ethics is all about. It is like studying finance to find a reason to make money. Finance does not teach one to want to be rich. It teaches one how to be rich, assuming one wants to be rich. So it is with ethics. Ethics teaches one how to be good, assuming one wants to be good. It is important to know that one can normally do well by doing good. Otherwise ethical people could go into business only with a high risk of failure. Business ethics, however, addresses the opposite question: how can one do good by doing well? It begins with the premise that managers want to do something good with their lives and investigates how to accomplish this through business. In other words, it treats profit and business success as means to a greater end: making the world a little better.

The Duty to Make Money

Granting that a business person's ultimate objective is to make the world better, how is this best achieved? A common view is that it is achieved by making as much money as possible. The best thing business people can do for society is to be good business people, which is to say, to maximize the company's profit. They should therefore stick to finance, marketing and operations management rather than waste time with ethics. Freidman advances two main arguments for this position. First, corporate executives and direc-

tors are not qualified to do anything other than maximize profit. Business people are expert at making money, not at making social policy. They lack the perspective and training to address complex social problems, which should be left to governments and social service agencies. Second, and more fundamentally, corporate officers have no right to do anything other than maximize profit. If they invest company funds to train the chronically unemployed or reduce emissions below legal limits, they in effect levy a "tax" on the company's owners, employees and customers in order to accomplish a social purpose.

The reason is that the owners have no obligation as business people to support these causes. They may have such an obligation as human beings, but it is not part of business ethics. Since owners hire managers specifically to run a business, they transfer only their business-related obligations, such as the obligation not to exploit disaster victims by price gouging. Managers must of course know how to recognize what sorts of obligations are imposed specifically by business ethics. This is precisely why they should study business ethics as well as finance, marketing and operations!

Findings

Why study Business psychology and Ethics?

Psychology is the science of the Mind, and it introduces the individual to the most important scientific problems of modern man, how to understand his mind and behavior. Psychology is thus the study of the more complex forms of integration or organization of behavior. Mind is that which determines the complex behavior of beings. Even granting that business ethics is important, many seem to believe that there is no point in studying the subject. Ethics is something you feel, not something you think. Finance, marketing, operations, and even business law lend themselves to intellectual treatment, but ethics does not. The idea that ethics has no intellectual content is odd indeed, considering that some of the most famous intellectuals in world history have given it a central place in their

thought (Confucius, Plato, Aristotle, Maimonides, Thomas Aquinas, etc.). Ethics is in fact a highly developed field that demands close reasoning.. Ethics courses have a number of features that seem likely to influence behavior. They provide a language and conceptual framework with which one can talk and think about ethical issues. Their emphasis on case studies helps to make one aware of the potential consequences of one's actions. They present ethical theories that help define what a valid ethical argument looks like. They teach one to make distinctions and avoid fallacies that are so common when people make decisions. They give one an opportunity to think through, at one's leisure, complex ethical issues that are likely to arise later, when there is no time to think. None of this convinces one to be good, but it is useful to those who want to be good. It may also improve business conduct in general. How many of the recent business scandals would have occurred if subordinates had possessed the skills, vocabulary and conceptual equipment to raise an ethical issue with their coworkers?

Conclusion:

Psychology is thus the study of the more complex forms of integration or organization of behavior. Mind is that which determines the complex behavior of beings. Ethics not only should be studied alongside management, but the two fields are closely related. Business management is all about making the right decisions. Ethics is all about making the right decisions. So what is the difference between the two? Management is concerned with how decisions affect the company, while ethics is concerned about how decisions affect everything. Management operates in the specialized context of the firm, while ethics operates in the general context of the world. Management is therefore part of ethics. A business manager cannot make the right decisions without understanding management in particular as well as ethics in general. Business ethics is management carried out in the real world. This is why business managers should study Business psychology and ethics.

REFERENCE

- 1 Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," New York Times Magazine (September 13, 1970). Reprinted in Thomas Donaldson and Al Gini, eds., Case Studies in Business Ethics, 4th ed., Prentice-Hall (19xx) 56-61.