

Ethical Practices Cannot Stand Alone

Robert C. Maddox

An area of great interest by the federal government is that of business ethics and the social conduct of business. As the power position and operational scope of organized businesses expanded many fold in an increasingly dynamic society, so has the active interest and participation of the federal government in the realm of business ethics.

The interest of government in business seems not to be so much a factor of the ethical standards of business itself, but a factor of the size of both business and government. The greater the size of business and the greater the size of government, the greater is the interest in the ethical activities of business by government. As government grows even bigger, so does the intensity of the attacks on business. "The tempo of attack by the government on practices of American business, by use of antitrust laws appears to be gaining momentum. . . . Businessmen find that practices long re-

garded as normal are becoming suspect."¹

Big companies which have been under attack in the recent past include General Motors, General Dynamics, Ingersoll-Rand, the Aluminum Company of America, Borden, St. Regis Paper, Anaconda, Shell Oil, Minneapolis-Honeywell, and the Columbia Broadcasting System.²

Also, the FTC has recently questioned 1,000 of the largest companies in detail on all facets of their relationships with one another.³

Government Filling Gaps

Since the federal government has shown an inclination to move into ever greater and greater areas of business regulation and control, filling gaps and vacuums (either actual or assumed) left by business, it is necessary that business not give the impression that there are gaps and vacuums for the government to move into. Thus, the problem is more than one of mere-

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ly maintaining ethical practices. The fact that ethical practices are maintained must be, in some way, projected. Businessmen must show by their conduct that they are above reproach. What can the ethical businessman do to avoid unjustified suspicion concerning his ethical business conduct? This is the problem faced by many ethical companies today.

There are several possible approaches to a solution of this problem. One of the most practical, it would seem, would be to view the activities or practices which seem subject to suspicion from the perspective of the federal government, and then to refrain from these activities.

Some companies, for example, give advice on the social activities of executives to make sure that there is a minimum of contact with executives of competing companies.⁴

Key Situations

Although it would be impossible to list all employee actions which could be viewed suspiciously,⁵ there are several key situations which, while not unethical in themselves, place the employee in a questionable position. Among the more important are:⁶

- Investments in supplier companies.
- Investments in customer companies.
- Investments in competing companies.
- Heavy trading in company stock.
- Borrowing from or lending to customer or supplier companies.

References

1. "Why Businessmen Keep a Worried Eye on Washington," *U.S. News and World Report*, Apr. 1, 1963, p. 55.
2. *Ibid.*
3. *Ibid.*, p. 56.
4. *Ibid.*, p. 55.
5. Gerald J. Fuchs and G. Clark Thompson. "Outside Business Interests of Key Employees," *Management Record*, XXII, Nov., 1960, p. 19.
6. Gerald J. Fuchs and G. Clark Thompson. "Corporate Directors and Business Ethics," *The Conference Board Business Record*, Sep., 1961, p. 31.
7. "Keeping a High Shine on Ethics," *Business Week*, Mar. 25, 1961, p. 82.

Acceptance of employment from firms that have a business relationship with the company.

Acceptance of substantial gifts or excessive entertainment.

Participation in civic or professional organizations that might involve divulging internal company data.

In order to avoid unjustified and unnecessary suspicion, management must see that employees (especially key employees) do not engage in any such practices.

Three Solutions

Three solutions (differing in degree of reliability) suggest themselves as a means of instituting and enforcing such a policy of non-involvement by employees.⁷

1. Resolutions may be passed by the board of directors outlining company policy.
2. Conferences may be held with the men in sensitive jobs (for instance, purchasing and sales) to thoroughly discuss company policy.
3. Detailed questionnaires may be utilized, where executives must list any stock interests they hold in suppliers or customers, or any other relationships with them.

If such a policy of employee non-involvement is followed, there should be less reason for the federal government to become concerned over and involved with the practices of ethical companies.