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ETHICS IN BUSINESS

BECAUSE it goes to the very heart of human nature, the question of right and wrong is not a simple subject. But since it is so important to the well-being of individuals, social communities, and the nation, it is well worth a little thought.

From the very beginning of things, there have been obligations arising out of social contacts. The fourth chapter of the Bible's first book puts on record a momentous question: "Am I my brother's keeper?" Today's viewpoint is that every man has a certain responsibility toward others.

When we narrow this down to the morals of business, we find that the spirit finds expression through fair play, honourable dealing, and keeping one's word.

Most business men have a solemn feeling of their obligation to maintain honour in the business world. They are men who recognize the importance of the square deal as part of creative industry.

In recent years a new sense of community obligation has been added to old ideas of personal goodness.

What Ethics Is

"Ethics" comes from a Greek word meaning "custom". Today, it means the philosophy of goodness, and as a science it seeks to determine the difference between right and wrong conduct. Some persons look upon morals as being mainly negative, telling what shall not be done, while ethics is looked upon as chiefly positive, telling what ought to be done in certain circumstances.

Ethics takes notice of the lessons of the past, the desires of other people, and the consequences of actions. Some virtues are right because we think of them as right, without needing to analyse them. In business, most people respect carefulness, patience, intelligence, and initiative. In social life, people value prudence, thoughtfulness and practice of the Golden Rule. Community life demands justice and lawfulness.

These are all virtues which contribute to the course of human development, leading away from animal nature to the freedom of spiritual achievement.

One aspect of ethics is worthy of special attention. Ethics is a two-way affair, with equity as its strong theme. In its broad meaning, equity denotes the spirit and the habit of fairness, justness and right dealing. The great emperor, Justinian, expressed it well when he said equity means "to live honestly, to harm nobody, to render to every man his due." The law says that one shall act in such-and-such a manner toward another; equity says that both shall act equitably, or ethically. A legal maxim lays down the rule that he who comes to equity must come with clean hands.

Society Gives the Keynote

It is not enough to have a few persons act morally in order that we may call the society an ethical society. The ethics of the individual and of the group must be related to the ethical standards of the whole community. Higher standards only become rules for conduct when through education they have been accepted as proper by a large or influential section of the people.

Business reflects pretty well the spirit of the community in which it exists. It has been moulded by popular sentiment. John Dewey remarked in his *Human Nature and Conduct*: "If the standard of morals is low it is because the education given by the interaction of the individual with his social environment is defective."

Outside of theory, the chief test of a man's conduct is whether it will be approved or condemned by society. This is not a bad thing in itself. It is wholesome for anyone to know that thoughtless, self-centred action on his part will expose him to the indignation and dislike of others. Group disapproval will discourage reckless pursuit of self-interest, and the extent to which disapproval is shown depends upon the standard to which the society has raised itself.

The higher the general standard is in society as a whole, so much higher will be conduct in business. Evidence of indifference by business men to principles

for which society stands will be visited with quick and definite punishment. Even-handed justice may be dispensed best by those who have nothing to pardon in themselves, but so long as society must have allowances made for its own shortcomings, it is in no position to demand complete ethical purity in its individual members.

Ethics is Wider than Law

The subject of ethics takes in much more than merely the punishment of acts which are wrong. An ethical man does not seek to justify himself by the plea that he keeps within the law. An act may be quite lawful and yet be immoral and unethical. "Ethics" means "what should be." It carries with it a certain feeling of the "oughtness" of things.

"Every man takes care," said Ralph Waldo Emerson, "that his neighbour does not cheat him. But a day comes when he begins to care that he does not cheat his neighbour". Then he becomes ethical. In other words, the "ought" of ethics is not a command imposed upon us from without, but an impulse arising within us.

The business man of today has found that when all things are averaged, the "ought" of his own mind coincides with the success of his work. The real test of a man's ethics comes in the twilight zone between what is clearly demanded by the tests of honesty, and what is required by that combination of feeling and judgment which is the mark of a good business man.

Merely being legal will not bring customers back. Trade depends upon goodwill, in which legality is only an ingredient. For custom the business man depends upon the judgment of buyers; for credit he depends upon the reputation for integrity he has with his banker; for his trade reputation he depends upon the appraisal of those in the same line of business — and there are no more merciless appraisers of men and their worth than business competitors.

The duties of an ethical life were well summed up by Frank Crane in his popular book *Just Human*: "If one is honest because honesty is the best policy he is not honest at all, he is shrewd." This principle was carried forward a step by Benjamin Franklin in his *Autobiography*: "Wrong none by doing injuries, or omitting the benefits that are your duty."

Management has realized the need for this positive approach to ethics. Not so many years ago there were managers who believed that if they kept within the strict letter of the law they should be immune from public or private attack. The crude devices of blame and punishment were the only measuring rods these persons acknowledged.

Ethics cannot be brought within the four walls of the ten commandments. "Law" and "Justice" do not cover all of "ethics." Ethics cannot be summed up in a body of rules and commandments which may be applied always and everywhere without regard to circumstances.

Everyone in business — proprietor, manager, secretary and workman — must find within himself the true guide to how he shall fulfil the ethical trust that rests upon him.

There are Practical Benefits

For those who are not inspired by high ideals, there are practical and influential motives. Ethical management brings additional profits to business. It pays in dollars and cents. The firm that establishes a reputation for honesty and for fair dealing beyond the necessities of the law has a business asset of great value and profit.

In his annual address at the beginning of this year, the General Manager of this Bank took occasion to remark: "We are glad to say that the quality of Canadian merchandise and the straightforward dealing of Canadian traders have contributed greatly towards building an enviable reputation in Western Hemisphere countries." Mere shrewd trading does not accomplish that. The old idea of a good bargain was a transaction in which one man got the better of another: the new idea is of a transaction which is good for both parties to it.

Legally, the buyer must still be on his guard to make sure he gets his money's worth, but in practice the rising standard of business ethics enables buyers of almost any article, even including horses, to find markets where they can place complete confidence in the representations of the seller.

There is a strong hint here for business men. They must not be content with being ethical, but need to make it known that they are ethical. An English Lord Chief Justice once remarked: "It is important that justice should be done: it is hardly less important that it should manifestly appear to be done." There are many examples. The physician who washes his hands in the presence of the patient is making his carefulness obvious. A more amusing illustration comes to us in *Mutiny on the Bounty*: The mess cooks were heard whistling as they seeded the raisins for duff, not because they were cheerful, but in order to prove that the raisins were not going into their mouths. Says Benjamin Franklin: "I took care not only to be in reality industrious and frugal, but to avoid all appearances to the contrary."

Service Involves Ethics

There are hundreds of thousands of business men whose idea of business ethics rises above profit-making. They are conscious of performing a necessary and valuable service, and that service is, after all, the reason for their existence. A business man summed it up in this way: "Real service in business consists in making or selling merchandise of reliable quality for the lowest practically possible price, provided that merchandise is made and sold under just conditions."

Only that business which has service as its objective can win the confidence of the public, and only that business which wins the goodwill of the public can realize for any length of time the financial return which makes its existence possible.

Dealings between business men themselves hang more and more upon good faith, and the reputation a man gets that his word is as good as his bond is an important asset. Sometimes one comes upon a man who relies upon the technical defence that he has not bound himself in writing; there is no contract or lease. That may avail in a court of law, but not before the bar of business ethics. There is a strong feeling for fairness in business today, and the man who does not conform finds himself avoided.

Is Business a Profession?

Some persons dismiss the question about professional ethics for business by just saying "There's a difference." But do not the basic qualities of professionalism hold true for business?

There is not yet the unity in business one sees in the professions, but each business is working steadily toward self-expression in the ethical field. Judged on the basic requirements, the only difference between business and the professions is one of degree, not of kind.

The question has been asked, why make a difference between those who build a school and those who teach in it; between the supplier of food and the provider of health? It's all in the way you look at it. As R. H. Tawney, of Oxford, said in his book *The Acquisitive Society*, "The work of making boots or building a house is in itself no more degrading than that of curing the sick or teaching the ignorant. It is as necessary and therefore as honourable." The man in business is as proud of having his work referred to as "a good piece of work" as the lawyer is of hearing his brief called "a professional job." The Oxford Dictionary leaves the way open for business men, because it defines a profession as "the occupation which one professes to be skilled in and to follow," a description which certainly includes business.

Of course, some will say that business men are in business to make money, and that is not professional. It is true that a large income is incident to success in business, but he who exaggerates the value of the incident is likely to fail of real success. Successful conduct of business includes also excellence of performance, continuous betterment of methods and processes, improvement of products, perfection of organization between management and workers, and right relations with customers and the community. In all this there is the making of a profession, one which can render great practical service and be noble in action.

About "The Good Old Days"

Reference is sometimes made by critics to events in the past. It is not so easy as some think to judge the past. The lawyer of today, for example, may find it difficult to see the world as a business man or a poet sees it: how much more difficult, then, for us to see the world of a century ago as men of that time looked at it.

In every age poets and social reformers have tried to stimulate people to a nobler life by telling enchanting stories of the virtues of heroes of old. These stories are not borne out by history. Man is not harsher and harder than he was; he is not less willing to give up his own happiness for the benefit of others in cases where the law leaves him free to choose.

Small communities with simple wants have found their needs supplied by nature, and have not been tempted to sordid ambitions. But where social researchers have penetrated to the inner life of a crowded population under primitive conditions they have found more want, more narrowness, and more hardness than could be seen from a distance. No one honestly believes that any nation, in any past time, ever had a more widely diffused comfort with less suffering than exists in Canada today.

People are inclined to agree when one says the ways of commerce have changed, and they point to the growth of great industries, transportation systems, and commercial centres. This point of view overlooks the basic reason for change, which is the tremendous increase in world population, frequently referred to in these Letters, from 1,009 million a hundred years ago to 2,151 million today. How could the old ways of agriculture and production continue to serve all these people?

The change means that the consumer is far out of touch with the producer. Fewer products are made in the home or community. Even if the variety were not enough to confuse the consumer in making choices, there is the difficulty in comparing qualities and values. As a consequence, the consumer must rely more upon the good faith of the producer. Equally true, the producer must be alert to keep up his quality, because if he doesn't the falling off in his sales may be a decisive influence in closing down his business.

Manufacturing is a stabilized business with big investment. It produces goods for the same market year after year, and it depends upon that market for its income. If business is done on the principle "let the buyer beware" it is not likely to last long. The seller is required by the very nature of today's world commerce to make his goods of such quality as to insure the confidence of the buyer.

Ethics in Competition

The high principles of square dealing apply even in competition, though it is a fact that the unscrupulous conduct of a few may make it difficult for many in the same line of business to live up to their ideals. Competition is a severe referee, and looks only at results, not at motives. The rewards for success are great, and the penalty for failure is oblivion.

When competition is put on public trial, its accusers emphasize the bad forms it has sometimes taken, and do not bring out the fact that in most of its forms competition is essential to the maintenance of energy and enterprise, and without these we should cease to progress.

It was in the days of greatest competition that Canada and the United States were built out of the wilderness. No society will be found devoid of competitive elements, not even the most backward surviving tribe on earth. In highly civilized countries it has been realized that certain restrictions are necessary, and these are applied by business itself, by government, or through pacts and agreements.

Competition is not good or bad in itself. There is ethical competition, toward which all men who have a high opinion of themselves and high hopes for society are working. Those who are unscrupulous are finding it more difficult to maintain their place in commerce.

No man-made law can ever eradicate the basic condition of human life, which is struggle. No man-made law has ever upset the judgment handed down in the Garden of Eden: "In the sweat of thy face shalt thou eat bread." Whatever basis of working and sharing and distributing is worked out within a society, there is no escape from rewarding some, the more energetic and effective producers of results, more highly than the less energetic and less effective.

Every Generation Advances

Every generation has seen an advance in the standards people expect of their neighbours. Crude cheating was outlawed in civilized countries long ago; weights and measures must be accurate; food and drugs must live up to a high standard of purity, and the quality of goods must come up to the claims made for them.

Every generation has made refinements. The merchant who misrepresents the quality of his goods, even though he keeps within the law, or advertises bogus fire sales, is being relegated to the back streets, while customers flock to the stores where they know they can depend upon ethical treatment. This mass approval of fair dealing, and the withdrawal of patronage from unethical dealers, has a steady effect upon the improvement of morals in business.

Canadian Business High-minded

Business in Canada is keeping its own house clean. If you ask a business man what he looks for first in a prospective executive, he will reply at once "good character" or he will specify features which include good character. The standards and conduct of business in this country have been rising steadily. Misconduct by a few may occasionally steal the newspaper headlines, and bring discredit on the great majority who are doing business according to the law of the land and the law of their own consciences.

Business does not wait for others to make its moralities. It not only polices itself to a large extent, but it is constantly trying to set higher standards. Never before was there such a keen feeling of the responsibility of corporations to stockholders, customers, employees and the public.

Business has set up organizations to help it extend and maintain its ethical standards. Nearly 40 years ago Better Business Bureaus were organized by business men who realized that bad business practices not only hurt business at once but threatened the health of the Canadian system of business enterprise.

These bureaus, maintained by business to help itself, its employees, its customers, and the whole community to obtain maximum satisfaction from commercial dealings, have as their objectives: promote and maintain advertising and selling practices fair to business and consumers alike; protect business and the public from fraud and misrepresentation in business transactions; and provide educational help for the consumer in his quest for full value for his money. Factual information is obtainable free from the Bureaus.

Trade associations, too, are raising ethical standards in business. These are organizations in which business men join together in the old guild spirit for collective action looking toward improvement of their business and of their relations with the public. These associations become professionally conscious, and set up standards of practice or codes of ethics based upon the motive of service.

Codes are useful as reminders even to the most ethical of mortals, because history shows that ordinary men are seldom capable of pure unselfishness for any considerable time. There is assurance of progress in social life when we look at the advancement made in codes of duty, ideals and responsibility. These codes do more than laws could ever do. They are formulated by business men themselves, therefore they are workable. They deal with fair trade practices upon which all subscribers to the code are agreed. They protect contracts, prescribe honesty in advertising, set out the necessities of good labelling, and outlaw certain practices which are considered unfair or an imposition on the public.

Progress is Made Quietly

This is a crucial point in human destiny. It is a time to show the essential fairness of the Canadian way of life. Defects will reveal themselves from time to time . . . the nearer we attain to perfection in one respect, the more defects in others are thrown into prominence. But as society and the community advance, so will business hold itself increasingly accountable to the public, and responsive to the public trend.

Many self-appointed reformers who never engaged in business fail to see that changes are not wrought by words and slogans but by thoughts and acts. Very few "reformers" know or admit the steady ethical evolution that is going on within business. As David F. Houston said in *Readings in Modern Business Literature*: "The world quietly turns over while the professional reformers are barking at the moon."