

„Experts without soul and hedonists without heart.“ Ethical principles of companies in historical contexts

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Abstract: Were ethics and morality always considered superior to profit, or was it the other way around? First profit, then ethics and morality? There are countless examples in which unethical behavior, selfish corruption, and other offenses against good morals have been discovered and caused long-term damage in the loss of trust – this is still true today. On the other hand, there are many examples from the history of business where adherence to ethical principles has „paid off“. The rules of conduct in accordance with the customs of society have formed a part of many companies' economic behavior – „Being ethical is good for business“.

Keywords: business ethics, economic history of the 19th and 20th centuries, The Body Shop

1 Introduction

The concept of business ethics is a modern concept, and though it was not explicitly used in the second half of the 19th century, it was still a part of everyday life in companies and society. Businesses were not just organizational units, but „sociocultural“ phenomena. These were mainly family-owned businesses, in which certain standards and customs were set inside the company. Yet, this company culture historically evolved with and influenced by the cultural society outside. These companies thus formed a part of the whole, co-creating behavior patterns, certain laws, such as adherence to standards and values, and therefore co-building entire organizational systems.

2 Methodology

Ethics is a set of norms and rules that expresses society's views on human behavior and actions in terms of good and evil, right and wrong (Matis, H., Stiefel, D., 1987). It is the doctrine of morality, the origin and essence of moral consciousness and action. Business ethics is based on this foundation and applies its concepts to the economic and business environment. There are certain moral ideals that must be reflected in the business world, whether in matters of responsibility for the consequences of business decisions, or standards of business behavior in the cultural environment of society, and at all levels of business.

The topic of business ethics has undergone historical development and has been influenced by several theories and opinions. They are based on the moral principles of philosophers and sociologists. Max Weber (1864–1920), who dealt with issues of economic and business ethics, proved that ethics of various professions developed adhering to similar principles. He cited the example of Benjamin Franklin (1706–1790), an American Enlightenment philosopher and politician who wrote, in „Advice to a Young Tradesman“: *“Remember, that time is money... that credit is money ... that money is of the prolific, generating nature... the good Paymaster is Lord of another Man's Purse... He that is known to pay punctually and exactly to the time he promises, may at any time, and on any occasion, raise all the money his friends can spare...”*. It mentions a moral obligation to increase one's wealth. Weber also cites the pressure, not only on the efficient production of entrepreneurs, but also on the obligation of efficient consumption and maximizing savings. In addition to these ethical precepts, Weber also draws attention to the hidden dangers of vocations and professional work – a deviation from ethics could lead to „souless experts“ and „heartless hedonists“ (Putnová, A., Seknička, P., 2007).

3 Results

Business ethics created a kind of compressed system of values in a company, which were accepted by all. It was a stabilizing and motivating tool for a company's management (when utilized properly), which could mean the key to success (or failure if the entrepreneur or management underestimated the situation). This business culture within a company shaped the employee perception of all company events. Its importance has proved to be vital in the development of strategies (Berghoff, H., 2004). Speaking to market conditions of the company, thanks to what we now call business

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ethics, the business image of a company thrived, supported by the loyalty of employees. The condition for this was transparency and communication that ensured fair treatment of both employees and customers.

In economic practice, in connection with the emergence of the market environment, the basic principles of compliance with certain „rules of the game“ began to be enforced, whether these were relations between competitors, ownership issues, innovation, etc. Although there was no direct talk of „morality“, it’s clear that these rules of conduct in accordance with the customs of society formed part of the economic behavior of companies. The rule of morality, *“do unto others as you would have them do unto you”* was a yardstick for evaluating the correctness of the company and its representatives (Klopfer, M., 1994). Thus, a certain system of values was verified in business practice which informed decision-making in individual situations. This system showed the correctness or incorrectness of everyday business practice. An example of intuitive ethics as a part of company strategy is the founder of The Body Shop®, Anita Roddick, who said: *“Being good is good for business”* – although a modern statement, this approach was used in practice by entrepreneurs in earlier times.

Let’s take a closer look at Anita Roddick, an entrepreneur who started a business for economic reasons, yet today her rules (about which she has written a number of books, e.g. Roddick, A., 1991) are the model for running an ethical business. Anita Roddick, the founder of a retail chain and one of Britain’s best-known businesswomen, was nicknamed ‘The Green Queen’ based on her passion for the environment and humanitarian activities. Her company, The Body Shop, founded in 1976 in Brighton, focused on skin care products based on Bedouin recipes. The brand became known for its social and environmental conscience. Roddick, a daughter of Italian immigrants, has expanded her store to a network of over 2000 locations and 77 million customers in 51 markets (although she sold everything to French L’Oreal in 2006). One of Anita Roddick’s focuses was a program called „Trade Not Aid“. The Body Shop® was the first company in cosmetics to promote fair trade, directly supporting producers. The program started with suppliers from India and has spread all over the world. The “Fair Trade” program still helps many thousands of people earn their living (Geršlová, J., 2020).

Ethical responsibility of entrepreneurs and companies became an increasingly important subject in the eyes of the public. In history, there have been many cases in which companies and entrepreneurs have not respected their external environment – the result was often that customers took notice of the indecent behavior of such companies and showed a public disinterest, a kind of social inattention leading to large economic losses and declining profits. There were several key indicators: customer relations (quality services, adherence to delivery times, timely handling of complaints, sale of goods priced appropriately to quality and quantity, as well as conditions previously agreed upon, along with traditions related to the company); relations with suppliers (honesty in negotiation and compliance with all agreed upon conditions, payment obligations, also efforts to make contracts mutually beneficial, etc.); relations with competition (competing fairly and without aggressive behavior); relations with society (generally speaking maintaining good social climate, giving back to the community, specifically good communication from the company – via marketing and advertising of the company, sponsorships, investing in support of cultural and social activities or events).

If we talk about the public in a broader sense, an integral part was also the actions of the company in relation to competition – in terms of established business culture. In some publications, competition has been described as immoral (Wirtschaftsethik, 1984), arguing that aggression, rivalry, conflict and envy all stem from competition. Cooperation, on the other hand, was valued – mutual assistance, good intentions, determination, and harmony. However, a decent competition asks for two opponents of the same strength to compete, and to adhere to the same rules. Each must fight fair, according to the rules. In a market economy, this system worked a little differently: who should determine what goods would be produced? Since there was no instance that dictated to everyone what would be best for them, the decision logically belonged to each individual – entrepreneurs had to know what was best. Trying to offer certain goods or services, they had to bear certain risk: would society want and need the product, and would a competitor reap the benefits instead if they better met the public demand? What entrepreneurs earned from their efforts was rightfully theirs. In a market economy, competition led to greater growth. Evidence of this is seen in the statements of the ancient sages – for example, *“There is nothing better for human development than the existence of a clever, active and purposeful rival”*. The ancient Greek proverb *“If you want to be wise, surround yourself with wise men”* can be paraphrased in business context as *„if you want to succeed, let yourself be influenced by the economically successful”*, (Wischermann, C., 2000). A company’s business ethics and culture directly influenced the values and credibility of their actions, which radiated out.

Many publications and studies have shown that entrepreneurs moved in socio-cultural circles that had many levels and that often dominated in relation to the success or failure of a company. Thus, it was not only purely economic indicators that had to be considered – cooperation was necessary, not only within the family and the wider background of

the entrepreneur (religion and the Church sometimes played a large role in the entrepreneur's family life, though this aspect is not addressed in the article, it would be of clear importance for some European companies). Long-term cooperation was vital to trust in building a circle of suppliers and customers – this created a very strong bond for the company and entrepreneurs. "Capital of trust" was important, thanks to the connection with a trustworthy and permanent partner – supplier or customer – it was possible to save expenses by eliminating the ongoing search for new ties. This is how modern marketing foundations emerged, sometimes through the cooperation of many partners. This line of business also depended on regional ties – in the area where the company had its headquarters, it often formed a part of a larger association of other companies in the same industry. This was the case in the Czech lands with the textile industry in northern Bohemia, the jewelry industry in the Jablonec nad Nisou region, the glass and porcelain industry in the Karlovy Vary region, and other regions specializing in a certain type of industry (the watchmaking industry around the Black Forest or the Swiss Jura, the toy industry in Saxony and western Bohemia on both sides of the Ore Mountains, and to a lesser extent the production of hats around Nový Jičín, the production of lace around Varnsdorf, etc.). In addition to good relations with the competition, companies had a number of opportunities to join forces – the synergies in education, research, joint sales organizations, and a highly qualified workforce (e.g. the Swarovski company originating from northern Bohemia).

In regions with specialized production, the knowledge and expertise of people was often passed down to future generations. In this context, a very demanding labor market was created – most companies could choose the best qualified workforce. The joint penetration of the markets also promoted the region in a way – for example, knives from Solingen or ham from Parma are still well-known and widely sought after. Cooperation arose between small and medium-sized companies in particular – in the form of chambers or various associations, which facilitated supplier-customer relations in the region. These relationships included the procurement of specialized machinery and equipment, as well as the award of contracts and the exchange of strategic market information. One of the most typical examples includes suppliers of large European car manufacturers, these ties were formed even before 1914.

4 Conclusion

Freedom took on a new dimension in relation to the business environment, as freedom of decision-making and choice. The freedom of starting a business and making business decisions formed a symbiotic relationship with the freedom of the people to make the decision to support the business. Supported by a fair functioning market system, this harmony ultimately led to economic growth.

Responsibility and trust were then the basis of contractual relations in market relations and the whole system of the economy. These values affected all corners of business, were related to the legal system and settings, and were a significant influence on any relationship in business or contractual relationships in general. As they claimed in ancient Rome, "pacta sunt servanda" or "agreements must be kept". The dynamics of economic development and growth were then supported by other values, often mentioned in literature (Putnová, A., Seknička, P., 2007), including progress, prosperity, and rationality. This group of values was related to the motivation of business and entrepreneurs as the driving force of the economy.

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Resources

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