

Codes of Conduct in the Business World

August 01, 2005

Though her book *The Fountainhead*, was written over 60 years ago, Ayn Rand's philosophy of Objectivism remain relevant today, particularly to business ethics, according to APS Fellow Edwin A. Locke, University of Maryland, in his invited talk, "Ethics in Business Organizations: Why Are They Needed? What Should Be Taught? Who Should Do It?"

The disturbing and persistent trend of large-scale corporate scandals — Enron, Health South, MCI, and others — has brought new attention to the need for ethics and raised the question of which particular code of ethics is best suited for business. The philosophy practiced by almost all the companies that commit fraud, said Locke, is that people should do whatever is most expedient. In other words, pragmatism. "These scandals are pragmatism in practice: 'What can I get away with that will make me feel good right now?'" Locke said. "For that reason, pragmatism is not practical."

Other codes of conduct prove untenable in the business world. Utilitarianism, which stresses the greatest good for the greatest number, fails to define the nature of its intended "good" and remains susceptible to majority whim. Kantian, or duty ethics, preach sacrifice for the sake of sacrifice — a self-hating proposition Locke called "anti-man." Moreover, religion cannot govern business, owing to its oftencontradictory nature, as well as its dependence on faith.

What remains for Locke is Rand's Objectivism, which is founded on three axioms: reality is real; everything has a specific nature; and people possess a consciousness, an awareness of reality. In contrast to the traditional, altruistic belief that morality should benefit others, Objectivism argues that the beneficiary of one's moral code should be oneself.

"Life is the objective ultimate standard in ethics," Locke said. "The purpose of a moral code is to guide your moral choices and actions so you can live. To accept a moral code that says your highest virtue is to sacrifice your life is a contradiction." To that end, Objectivists consider altruism to be an "anti-life" moral code.

Above all else, the highest virtue in Objectivism is rationality. "Reason is your means of knowing," said Locke, "and knowledge is your main means of survival." Other essential Objectivist virtues include honesty, integrity (which in this sense means acting on rational — not emotional — convictions), independence, productivity, and justice. Locke said these virtues are in every businessman's self-interest to practice.

"If you're a businessman, being honest, in the long run, is in your self-interest. You don't go to jail. Your honest employees don't leave in disgust. You don't get sued or fined. Your company doesn't get destroyed because you faked reality."

One company that puts Objectivist ethics into practice is BB&T, a bank on the east coast with branches

from Florida up to Washington, DC. BB&T has assets of over \$100 billion, and, more importantly, as far as Locke knows, “has never had a scandal.” No surprise to Locke that the company’s employee conduct book appears ghostwritten by Rand; it lists, in order of priority, the BB&T core values: Reality. Reason. Independent thinking. Productivity. Honesty. Integrity. Justice. Pride. Self-motivation. Teamwork. Don’t make decisions based on emotions; base them on facts no matter how you feel.

To Locke, BB&T’s success proves not only the need for a code of ethics but also the need for Objectivism to be this code. “If you practice the right virtues, they do lead to long-term profitability and success, and the absence of scandals leading to destruction of the company or the careers of the top executives,” he said.

Standing at the front of the room, which was darkened but for the pale yellow glow of the projector, Locke resembled Rand’s hero Howard Roark at the end of *The Fountainhead*, when the intransigent Objectivist stood alone with his ideals against the uncorrupted sky. “It has to start with the CEO, and his own behavior,” he said. “Do not reward people who get good results by unethical means.”