

ETHICAL THEORY & BUSINESS

A study based on *Utilitarianism* and *Kantianism*

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1. Introduction

A Lingered difficulty in the field of business ethics is the acquisition of a stable and appropriate theoretical base. The feeling one gets from the literature (texts, articles, books) and current business experience is that despite the traditional and important ethical theories (*Deontology* and *Consequentialism*), business people are facing problems while practicing these theories to resolve the business complexities, making policies and taking decisions because of their disparate and absolute nature. Consequently, *eclecticism* seems to dominate over the need for focus and securing of a common foundation. The presentation of ethical theory in the literature of the field is almost unpredictable, although *Deontology* and *Consequentialism* seems hard to ignore. Many authors also include such perspectives as egoism, virtue theory, theories of justice, theories of rights, universalism, ethical relativism, an ethic of caring, and so on. The theoretical foundations of business ethics, therefore, are not secure; the dominant interest in the field seems inclined toward building a diversity of perspectives, as opposed to identifying a common core of theory.

The objective of this paper is not to construct another ethical perspective but put together these two major traditional ethical theories (*Deontology* and *Consequentialism*) in such a fashion, which can be appropriate and productive to guide the current business practices.

As a result, the attitude, policies, decision and behavior of business organizations within the company as well as towards the society, stakeholders and environment could be shaped better.

2. The General Aim of the Ethics in the Realm of Business

Ethics is the study of right and wrong; ‘the moral choices people make and the way in which they seek to justify them. There is almost no aspect of life that does not in some way inform the process of moral decision-making, and equality, there is almost no aspect of life to which ethics cannot be applied. Using ethics to analyze business issues is one form of decision making, similar to profit maximization, legal compliance, or religious beliefs. The difference, however, between ethics and these other bases for decision is that ethics can serve as the foundation for each of the other methods. Therefore, in reaching decisions, business people may use ethics as a guide in legal or religious compliance, and even in accomplishing profit maximization.

Ethics involves judgments as to good and bad, right and wrong, and what ought to be. As defined by the Epicurus, ethics “deals with things to be sought and things to be avoided, with ways of life and with *telos*.” (*Telos* is the chief aim or end in life.) (Diogenes, 1925, Book 10, Chapter 3). Ethics can be distinguished from “morals”, which are rules or duties that govern our behavior as persons to persons (such as “do not tell lies” or “do not hurt another person”) and “values”, which are ends or goals sought by individuals (such as health or happiness) (Newton, 2000)

When we people in our routine life face the predicament or problems concerned with morality which is to say norms, rules, principles and accepted practical behavior of society, then we actually examine the morality in the context of individual and social behavior, religion, culture, and personal life. This critical exercise is called moral philosophy or ethics. When we face the problems or dilemma we need some guidelines, a framework of ethical principles and values through which these so called problems could be resolved. Moreover, the ethical theories and ethical perspectives fulfill this purpose. Ethical theories philosophically investigate the very foundation and the principle of morality. They provide principles, values and set a goal for an individual and the society so that we could resolve our problems and are able to make decisions and choices whenever we are trapped within the predicaments. As a result, ethical theories provide

a comprehensive framework to guide our behavior so that we could live a moral life within the society.

Similarly, the general aim of ethics in the realm of business is to guide individual's behavior and provide them bases for decision making. Moreover, in the context of business, ethics have both intrinsic as well as instrumental roles. Ethics helps business people to make policies, strategies; to avoid major frauds and scandals, and make business ethical towards society, stakeholders and environment. It provides a comprehensive view to understand the very foundation of business, which is deeply rooted in the human morality and social ethics. Finally, it can be said that in the context of business, ethics provides a framework of rules, principles, and values as well as it functions as an antivirus program, as a psychiatrist and as a whistle blower. It detects the bad (unethical/ immoral) content and protects the system (business system) from the affected content and big damages. Moreover, as a psychiatrist, it analyzes and understands not only immediate unethical problems but also investigates the unconscious and hidden reason of unethical human behavior and practices to make better ethical strategies so that the immoral behavior and practices within the company as well as towards society and environment could be eliminated.

Now days, ethics is performing its job as a whistleblower (who sounds the alert on scandal, danger, malpractice, or corruption. In addition to overtly illegal activities such as bribery, theft, and fraud, and more recently created legal offences like discrimination in employment, it also includes negligence, resource wastage, misrepresentation, and safety violations). The concept of whistle blowing is receiving attention. It is actually an ethical concept. Whistleblowers are those who sound the alert on scandal, danger, malpractice, or corruption. In addition to overtly illegal activities such as bribery, theft, and fraud, and more recently created legal offences like discrimination in employment, it also includes negligence, resource wastage, misrepresentation, and safety violations. Thus, in this sense ethics does its instrumental function in both ways internally and externally. It not only blows the whistle within the business organization to alert, avoid and eliminate the malpractices, mismanagement and wrongdoings but it also creates the same pressure in the context of society and environment through providing ethical and logical reasons to governmental and non-governmental organizations, to put pressure on business organization so that the unethical malpractices could be eliminated and the social, environmental

values and stakeholders rights could be protected. As a result, a harmony between business, society and environment could be established.

3. Overview of *Consequentialism* and *Deontology*

Ethical theories may be divided in to two categories: consequentialist and deontological. The distinction between two theories is actually based on the way they define the very sense, objective and principles of morality, for instance, consequentialist theories determine the ethics of an act by looking to consequences of decision (the ends), While deontological theories determine the ethics of an act by looking to very sense of duty and the process of the decision (the means).

3.1. Consequentialist Ethical System

The key points, which actually build the structure of Consequentialist Ethical System, are as follows:

- (1) Principle of Utility
- (2) Psychological Hedonism
- (3) Types of Utilitarianism: Act Based, Rule Based, and Preference Based
- (4) Quantitative and Qualitative Notion of Pleasure (Utility)

In the consequentialist ethical system, morality of an action or decision is determined by measuring the probable outcome or consequences. The theory most representative of this approach is utilitarianism, it has been one of the most widespread and influential ethical theories. In its simplest form it is based on the 'Principle of Utility' which is that, in any situation where there is a moral choice, one should do that which result in the greatest happiness for the greatest number of people. The most basic form of utilitarian analysis is cost-benefit analysis, where one tallies the costs and benefits of a given decision and follows the decision that provides for the greatest overall gain.

The theory of utilitarianism was set out by Jeremy Bentham and developed by J S Mill and later by Henry Sidgwick, and in various form it continues to command the attraction of the philosophers. The classical utilitarians believe that the ultimate good is something that most people desire, such as happiness or pleasure. This assumption is actually based on the psychological hedonism, which is that, we people by nature desire pleasure

and avoid pain. Most modern utilitarians take preference satisfaction, rather than happiness, to be the ultimate goal at which we should aim.

Based on the philosophical development the theory of utilitarianism can be classified in three types, namely, (1) Act Utilitarianism, (2) Rule

Utilitarianism, (3) Preference Utilitarianism. Act utilitarianism theory gives importance to the results of individual actions rather than moral rules of the actions. Some modern approaches to act utilitarianism tend to say that an act should be considered good if, on balance it produces enough happiness. It is not necessary to show that it produced the maximum happiness possible. On the contrary, rule utilitarianism emphasized the view that it is possible to both embrace a consequentialist view of what makes actions right and wrong, and give an important place to moral rules. Keeping certain rules produces better consequences than trying to judge the consequences of each individual action. Moreover, in this theory of rule utilitarianism, rules are not for the sake of rules but as a means to achieve the desired consequences in the best way. Preference utilitarianism theory takes in to account the preferences of all those involved in a particular course of action.

Bentham focuses on the doctrine of ethical hedonism, which asserts that the only ultimate, intrinsic good is pleasure. According to him happiness or pleasure should be measured in terms of its duration; its intensity; how near, immediate and certain is; how free from is its pain, and whether or not it is likely to lead on to further pleasure. He emphasizes the quantitative notion of moral action, which is to say each action is good or bad according to its predicted results in generating the maximum amount of happiness and he makes no qualitative difference among the different types of pleasures. He notoriously claimed that, provided the quantities of pleasure yielded were equal, pushpin was as good as poetry.

Mills famous work *Utilitarianism*, published in 1863, elegantly explains and argues for utilitarianism (Mill, 1863). He develops a more refined and sensitive defense of this hedonistic doctrine. He argues that it is not a doctrine that tells us to spend all our time in riotous living but a theory about what ultimately value. He rejects the idea that actions are right only because God says they are, or because they have any inherent moral properties of their own. Although, his theory is hedonistic it maintains that only ultimate value that is pleasure or happiness, he maintains a qualitative difference among the different types of pleasures. He compares about higher and lower

pleasures not only in quantity but also in quality. There are, in other words, not only greater and lesser pleasures but also better and worse pleasures.

Mill also goes beyond Bentham in proposing a positive place for rules within an overall utilitarian approach. He accepts what we term rule utilitarianism, in that a utilitarian principle can lead to the forming of general rules, which, although may be broken in exceptional circumstances, should be taken account in any assessment of the result of an action. According to him, we ought to acquire certain habits, such as truthfulness or honesty, because there is a better chance of promoting the greatest happiness of the greatest number with those habits than without them. Thus, he emphasizes the importance of rules as a general means of securing the greatest happiness for the greatest number.

Finally, based on general assessment of utilitarianism it can be said that although in the course of development philosopher have emphasized the importance of rules and preferences to achieve the greatest happiness for the greatest number, the main importance is given to only consequences rather than rules and preferences. Thus, the distinction based on act, rule and preferences seems useless in the context of practical execution and goal satisfaction of the theory.

3.2. Deontological Ethical System

In deontological system, morality of an action is based on rules or principles that govern actions and decisions. The German philosopher Immanuel Kant developed perhaps the most persuasive and fully articulated vision of ethics as measured by the rightness of rules, rather than by consequences. Kant emphasizes that the rightness of an act depends on the very principle, rule or duty by which it governs and not at all on the consequences of an action. For Kant, the key issue is how to discover a rational basis for one's sense of duty, and from that to devise a principle by which one could distinguish between right and wrong. Kant's moral philosophy is a reflection upon the direct experience of morality:

Two things fill the mind with ever new and increasing admiration and awe the oftener and more steadily, we reflect on them: the starry heavens above me and the moral law within me. I do not merely conjecture them and see them as though obscured in darkness or in the transcendent region beyond my horizon: I see them before me, and I associate them directly with the consciousness of my own existence.

The key points, which actually build the structure of deontological (Kantian) ethical system, are as follows:

- (1) Reason: Theoretical and Practical Reason
- (2) Apriority: Necessity and Universality
- (3) Imperative: Categorical and Hypothetical, Supreme Moral Principle
- (4) Good Will: Duty and Inclination
- (5) Phenomenal World and Noumenal World

In contrast to other ethical theories, which describe the origin of morality from the sense of natural law or human nature and more precisely from passion, pleasure and desired consequences, for example, Psychological-hedonism and Utilitarianism, Kant emphasizes that morality originates from the reason. When Kant defines the reason, he differentiates between theoretical reason and practical reason. According to him, these are not two separate reasons but two separate functions of the same reason. He explains that theoretical reason gives the knowledge and understanding of this physical world by which we come to know the principles of physical world and matter of facts, while practical reason directs us towards choice in accordance with moral law and when physically possible, to the implementation of choice in action.

According to Kant, the primary task of philosopher should be that of isolating the *apriori* element in our moral knowledge and showing their origin. Kant emphasizes that a moral law should be *apriori* as well as necessary and universal because necessity and universality are marks of *apriori*. Kant actually extracts the universality from the physical universal law but at the same time, he leaves the determinism of physical world intact and lays the foundation of morality on the free will and autonomy.

Moreover, here it is customary to discuss that how Kant defines the supreme principle of morality, which is to say categorical imperative, and differentiates between the principle and maxim. A principle, in Kant's technical terminology, is a fundamental objective moral law, grounded in

the pure practical reason. It is a principle on which all men act if they were purely rational moral agents, while a maxim is a subjective principle of volition. That is to say, it is a maxim on which an agent acts as a matter of fact and which determines his decisions. Such maxim can be, of course, of diverse kinds; and they may or may not accord with the objective principle or principles of the moral law.

That is why; Kant makes further distinction between empirical or material maxim and a priori or formal maxim. The first refer to desired ends or results while second do not. Kant refers second type of maxim when he talks about moral value of an action in the context of maxim. He says, if the subjective principle of volition is obedience to the universal moral law, out of reverence for the law, the actions governed by this maxim will have moral worth.

Kant defines categorical imperative as an a priori moral principle, which is based on practical reason. He emphasizes freedom as the condition of the possibility of a categorical imperative. Moreover, he formulates it in several ways. The initial formulation is known as the formula of Universal Law, and states that "I ought never to act except in a way that I can also will that my maxim should become a universal law". In the context of a priori universal moral law, he precisely says that universal law has no exception and can be reached independent of the observation of the world.

When Kant defines categorical imperative, he makes a distinction between hypothetical and categorical imperative. The hypothetical imperative depends on the conditions and is used to achieve certain means, for example, if you want to be healthy men then do exercise. Therefore, in this case the imperative is subsequent and used as a means. On the contrary, categorical imperative by the very nature exists without conditions. It is always used as an antecedent as well as an end in itself.

Kant lays his foundation of morality on autonomy and self-legislation. For Kant, autonomy is rule by reason (rather than desire), and rule by reason entails the free adoption of objectively valid moral principles. He emphasizes that "Act so that you treat humanity, whether in your own person or in that of another, never as means only but always at the same time as an end". This is known as a formula of end in itself, and is another way of stating the categorical imperative. Kant believes that if I ought to do something then it follows that I can do it. He has a famous maxim "Ought implies can". Morality thus implies freedom, but freedom of special kind.

For Kant to act freely is both according to reason and is motivated by it. Thus, according to Kant morality originates from reason, and is based on autonomy and self-legislation.

Kant defines will as a rational capacity, which is completely different from psychological inclinations. However, there is possibility that a will may be

used for the sake of desired consequences and inclinations. Therefore, Kant defines key moral concept 'Good Will' as a categorical will.

He emphasizes that a good will is manifested in acting for the sake of duty and disparate from acting out of mere inclination or desire. Further, he defines 'Duty' as the necessity of acting out of reverence for the law. Moreover, the only motive to action, which can confer moral worth on the agent, is the motive of duty.

He defines good will as beyond the space-time in the sense that it is not related to empirical and material facts. Its value is not governed by the consequences but it is valuable in itself. Kant emphasizes good will as an only perfect good, which is *a priori* as well as good in itself. But how does the person of good will know what is right? Here, Kant defines the nature of good will in terms of categorical Imperative, the notion that every person should act only those principles that she or he, as a rational person, would prescribe as universal laws to be applied to the whole mankind. Thus, according to Kant your will is good will if it can be applied categorically as well as universally.

Kant's system gives rise to a number of "deontological constrains", in other words, duties and obligations that are binding in themselves and not in virtue of their results. One of them important duty is "always treat other as ends". According to him treating another person as a mere means is to subvert his free will or autonomy; it is cease to respect him for what he essentially is, a rational being capable of formulating the moral law for himself and adopting morality as a motive.

Kant harmonizes *a-priori*, autonomous moral law within the causally determined empirical world. In this context, he talks about phenomenal world and noumenal world. He states that we are able to view ourselves from two standpoints. There is the standpoint of the phenomenal world, the natural world of cause and effect, the world which is presented to us in sensory experience. There is also the standpoint of the noumenal world, a

mysterious world of “thing-in-themselves”, of which – at least, as noumenal-we can have no experience. When we do our duty for duty’s sake, we actually act with noumenal freedom, at the same time our actions are not causally explained but rationally justified. Thus, Kant provides us a rationalistic, noumenal, and autonomous moral system which ultimately explains that we are not only causally determined physical being but we can look ourselves as an autonomous moral agent. In other worlds, we are noumenal as well as phenomenal being.

4. Significance of Traditional Ethical Theory (*Consequentialism and Deontology*)

In this section, we try to figure out the significance of these two ethical theories. First, we focus on Utilitarianism, it is viewed as a most practical and liberal theory because it appeals to no authority in resolving differences of opinion. It is able to describe much of the process of human decision-making. In contrast to other ethical theories, which give importance to natural law or a priori universal law, it provides an objective, practical and empirical moral view, which gives importance to human nature and his desires. Moreover, it is easily applicable and suits to general tendency of human behavior. It prescribes courses of action without fear or favor, giving equal weight to the pleasures and suffering of all people.

Utilitarianism provides an agent neutral account of morality and treats all people equally. It tries to establish a greatest balance of good over evil. It also gives importance to rules and preferences if these things promote desired result of greatest good. Finally, it gives preference to larger number of people rather than an individual. Therefore, it promotes general project of welfare maximization or social welfare.

Now we move to Kantianism, It is a logically compact and well-structured theory, which values reason as well as freedom. It gives respect to human dignity and treats humans as ends. It provides a rational basis to understand the morality. It gives importance to rules as well as freedom in the course of morality. It gives equal importance to objective moral law as well as subjective moral worth. In this sense, it also gives value to a moral agent. Kantian rules recognizes universal rights such as freedom of speech, freedom of consent, the right to privacy, or freedom of conscience. Another historically important feature of Kant’s theory is that it combines the thinking of the Enlightenment with an underlying rigorous moral code. The ethics of Kant has given rise to a cluster of approaches. Important Kantian

themes such as autonomy, deontological ethics (based on concept of duties rather than the quality of outcomes), and the dignity of rational person are to be found in these approaches.

Finally, Kant's deontological system provides an objective moral theory, which is based on practical reason, universality, uniformity, apriority,

autonomy and self-legislation. It emphasizes the intrinsic value (as ends in themselves) of morality as well as humanity. It treats a moral agent as an

end and presupposes freedom for the execution of a moral action. Thus, the Kantian system provides a better picture of a rational and moral world (Kingdom of ends) where all people have their own moral worth, dignity, freedom and an objective sense of morality.

5. Pitfalls of Utilitarianism and Kantianism

In this section, we try to examine the pitfalls of these two measure theories. First, we look at the Utilitarianism. It presents an instrumental and mechanical picture of human morality. If we look over the whole system then it seems inconsistent. In this system, there is no precise concept of happiness. One can argue that the concept of happiness is so broad that it can be taken as the name for whatever a person takes as his or her personal goal. If that were to be the case, then, from the standpoint of the agent, utilitarianism offers no objective method of assessing the rights and the wrongs of an action.

Although, in this system there are the concepts of rules and preferences, these all concepts have no intrinsic value. They are used for the instrumental purpose for instance if a rule cannot produced the desired result then it can be violated for the sake of other rule or action which can produce even better results. That means, in this system rules are not used as an antecedent but as a consequent to achieve desired results. Similarly, a moral agency also plays a subsequent role for the desired purpose. Thus, in this sense a moral agent is only causally connected within the web of this system as a physical object. Therefore, Bernard Williams rightly says that in this system there is no room for an individual autonomy.

It provides an agent neutral account of morality as well as gives no credit to agent's integrity or moral worth of an action. It is an impersonalistic notion of morality, which treats a moral agent as means. Moreover, There is a conflicting view in this system, since utilitarianism originates from the

psychological hedonism, which is essentially related with egoism, but it strives for the collective notion of morality, in which there is no value of individual's ego, effort, emotion, pain, and pleasure. Thus, this ethical theory is not able to satisfy the subjective notion of moral worth by the collective notion of morality.

Now we move to Kantianism, although as a theory it is a logically compact and philosophically well-explained ethical theory, on the practical level it appears too strict to general human behavior and practice. Because we people always perform an action to achieve certain objectives, assets, values and results. In other words, we need some motivation to perform an action. It excludes the circumstances and the consequences from the course of morality, which play a certain role to perform an action. Moreover, Kant does not provide any objective criteria or solution for such cases when we need to resolve the dilemma between two duties. Moreover, Problems exist, however, when an individual does not know which rules to follow. For instance, you might be faced with a dilemma that pits freedom of speech against the right to privacy. Which rule wins? 'Duty for the sake of duty' is very abstract concept and for the practical execution, there is need of an inventory of minimal rights and duties, which could guide the human behavior in complex situations.

In certain sense, this ethical theory seems counter intuitive because in general human practices people praise for good moral actions and give credit to moral worth of an action, but it does not give any importance to individual emotions and efforts in the assessment of morality. Consequently, it proves as a dry and rigid ethical theory on the practical level. Finally, both Utilitarianism and Kantianism does not provide any motivation to an individual in the course of morality.

6. Consequence-Based Principle as a Standpoint (First Phase)

In this section first, we try to figure out the important feature of these above-discussed theories and with the help of this exercise, we try to analyze and develop Consequence-Based Principle as a standpoint. Here, what we are going to discuss is a first stage of this exercise, later in the second stage we will do an empirical study based on the company's survey so that we could develop a mature and practical standpoint, which would be appropriate and productive for current business practices.

- A. *Utilitarianism*: Based on the utilitarian account we can extract some important features for a standpoint, as follows:
- (1) An ethical principle should be practical as well as it should take the human nature, conditions, and consequences in the account of morality.
 - (2) An ethical principle should work for the general maximization of good.
 - (3) An ethical principle should give importance to quality of good as well as it should take rules and preferences in the account of morality.
- B. *Kantianism*: Based on the Kantian account we can extract some important features for a standpoint, as follows:
- (1) An ethical principle should be based on objective and rational reasons.
 - (2) An ethical principle should provide freedom to agent to perform the actions.
 - (3) An ethical principle should treat humanity (society) as well as environment as ends in themselves.

Now we discuss the consequence-based principle as well as try to explore the Utilitarian and Kantian dimensions of this principle in the light of extracted features of these both theories. Consequence-based principle actually focuses the responsibilities and duties of business organizations, which originate from the consequences of the business functions, for instance, it is responsibility of a business organization to work for local communities health problem if it affects local community through local environmental pollution. Following the Utilitarian theory, consequence based principle focuses on the consequences of business functions in the context of morality because it imposes the compulsion of social responsibility or duty on the bases of the consequences of business functions. It takes consequences in the account of morality to promote maximum good for the maximum numbers of people as well as to provide rational and objective reasons to business organization to perform the social responsibilities and roles.

From the Kantian account, it emphasizes the duties of business organizations. It also emphasizes on the formula of end in itself in the sense that society, stakeholders, and environment should not be treated as means by business organizations for the sake of profit but business organizations should care of them as end in themselves. Contrary to Kantianism, this principle does not exclude the consequences of the actions from the morality

as well as it does not impose any responsibility or duty for the sake of responsibility or duty but it gives consequential reasons to follow the duties. Thus, Consequence-based principle is an intersection of these two major ethical theories in which we can see the dimensions of Utilitarianism as well as Kantianism. This is not only a principle but also a standpoint to define ethical responsibilities and roles of business. Moreover, it also delineates and delimits the socio-political roles and responsibilities of the business. Consequence-based principle is a technical construct, which uses both Utilitarianism and Kantianism to find an ethical standpoint, which could be appropriate, productive and applicable for current business practices.

Conclusion

In this paper, we have tried to develop an ethical standpoint for the current business practices. In order to find an ethical standpoint, we studied and examined the two major traditional ethical theories namely, Utilitarianism and Kantianism. We have discussed the nature, significance and the importance of these two ethical theories. It is also observed that despite the importance, these theories prove rigid and difficult when they are applied in business practices. Nevertheless, we cannot completely ignore these influential theories in determining and guiding the ethicality of business practices as well as in the construction of policies, strategies and decisions. Thus, there is need of a technical construct, which not only use these two ethical theories but also provide an ethical standpoint that would be appropriate as well as applicable for the current business practices. Therefore, to accomplish this need we have analyzed and discussed the consequence-based principle as an ethical standpoint. Moreover, we have discussed the Utilitarian and Kantian dimensions of Consequence-Based Principle. Finally, the whole effort is being done to figure out an ethical standpoint, which could be applicable in current business situations as well as which have the bedrock of these two major ethical theories.

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Summary

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The main purpose of this paper is to develop an ethical stand point, which can be appropriate and useful for current business practices. For this purpose, we have selected two major ethical theories namely, *Deontology* and *Consequentialism*. This is done in six parts: First, we analyze the general aim of ethics in the realm of business; second, we take overview of these two ethical theories; third, we demonstrate the significance of these two ethical theories; fourth, we discuss the pitfalls of these two ethical theories; lastly, we try to analyze and develop the 'Consequence-Based Principle' as a stand point on the basis of above studies.

Key Words: Deontology, consequentialism, business, ethics, theory

