Gabriel Flynn
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Leadership and Business Ethics

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Leadership and Business Ethics

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For John Bishop
"Blessed are the gentle,
for they shall inherit the earth."
(Matthew 5:5)

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Introduction

Gabriel Flynn and Patricia H. Werhane

This book points to a necessary relationship between ethics and business; the success of such an alliance depends directly on sound business leadership. Without the sort of leadership that upholds the dignity and rights of employees and clients, as well as the interests of shareholders, even the most meticulously prepared ethics statements are destined to founder, as evidenced at Enron and elsewhere. Over the past 30 years or so, since business ethics became established as a discipline in its own right, much progress has been made in the ethical conduct of business at all levels. In short, business people, like politicians, doctors and church leaders, have come to realize that it is not possible to avoid involvement in ethics, for much of what business people do and cannot do may be subject to ethical evaluation. While the history of business ethics as currently practised may be traced to the medieval and ancient periods; our principal concern is with developments in the field over recent decades. A consideration of how the topic has been treated by the *Harvard Business Review*, the business world's leading professional journal, provides helpful insights into past progress and present challenges.

In 1929, just as business ethics was beginning to evolve, Wallace B. Donham in "Business Ethics – A General Survey" provides a precise definition of business ethics: "We start here to-night a new foundation to deal with one of the greatest of topics – a subdivision of ethics; for business ethics with its own peculiar characteristics is, after all, a subdivision of general ethics."[1] Donham identifies the principal areas of concern for business ethics. First, "the internal relations of the business group, how businessmen are to live with businessmen"; and, second, "the external relations of the group, how business is to live with the community."[2] Not surprisingly, he asserts that the latter contains the most significant and neglected areas of concern to business. The significance of Donham's essay lies in its recommendations concerning "business and its responsibilities." Fully cognizant of the "basic instincts of our common humanity, such as fear and selfishness, as well as the desire to stand well with our peers,"[3] Donham points to the value of corporate social responsibility, albeit in embryonic form. As he remarks: "Our new group of businessmen must

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develop and enforce a group conscience if the evolution of business ethics is to be speeded up; a group conscience which will hold not only the individual but the whole group to both personal and group responsibility for relations with the rest of the community."[4] While attributing limited value to law and codes of ethics in the regulation of business, Donham ultimately points to the power of the community and of public opinion for the establishment and maintenance of ethics in business, in which domain effective leadership is indispensable:

> Just as the law is inadequate to solve business problems because it is slow to operate and static in its nature, so codes of ethics have their limitations and their dangers. [...] It is the thinking of the tribe which determines the character and type of tribal leadership. If the community expects much from its leaders it will get much. If it expects and honors cynical money-making and esteems such accomplishment, it will produce this type of leadership. [...] A discriminating public opinion, approving and rewarding socially sound business accomplishment, and ostracizing the socially unsound, will bring about a real contagion of health. For most of our ethical and social standards in all areas are made effective, in the last analysis, by the force of public opinion.[5]

In a paper co-authored by Edmund P. Learned, Arch R. Dooley and Robert L. Katz in 1959 entitled "Personal Values and Business Decisions," an important theme emerges, one that reflects the then growing concern among "thoughtful businessmen" for the spiritual implications of business. As the authors remark: "Symptoms of this concern are to be found everywhere. A tremendous number of speeches and articles on "religion and business" are receiving eager and enthusiastic response."[6] But the clearest evidence of the nature and strength of business's growing concern with spiritual values was evident in the Harvard Business School Association's 50th Anniversary Conference in September 1958, which had as its theme "Management Mission in a New Society." It is significant that every major speaker stressed the importance of more attention to spiritual values.[7] The significance of spirituality for business was perhaps best encapsulated at that conference by the distinguished historian Arnold J. Toynbee. He pointed out that "no society has ever flourished without a spiritual mission; the quest for material progress alone is insufficient to spur men on to the achievements which are required to create an enduring, dynamic, progressive nation. [...] It is significant that the great concern for more spirituality in business comes at a time when our material progress has achieved extraordinary heights."[8] The chapter furnishes a helpful definition of spirituality which, in view of persistent serious misunderstandings of the term, may be quoted in full:

> There is nothing mysterious in the word spirituality. Spirituality in business, as we see it, is the process of seeking to discover, however imperfectly, God's law in each everyday work situation, and of trying to behave in each situation as nearly in accord with that law as we are able to. [...] Spirituality means making a continuing, conscious effort to rise above these inevitable human limitations – a maximum endeavor to comprehend the ultimate values, the truth and the reality of the orderliness of the universe – and to live in accordance with this reality.[9]

To the authors of this auspicious essay "neither the proposition that business and spiritual considerations are separable nor the view that good ethics is good business is a fully adequate or satisfying guide for action."[10] Both of the aforementioned

options are rejected as inadequate because neither recognizes the inevitability of conflict or the complexities involved in making business decisions. It is only by acknowledging that every business decision brings the business person into a conflicting set of forces in which he/she is obliged to choose between personal values and ultimate loyalties that business leaders can hope to rise to the difficult challenge of making the necessary discriminating business judgements. The importance of the contribution of Learned, Dooley and Katz lies in their advocating participation in a process of discernment which implicitly recognizes that "there is a spiritual significance to every phase of a man's work, be it in business or any other calling."[11]

The question of conflict involved in business decisions, referred to above, emerges again in a 1977 essay in the *Harvard Business Review*, by Steven N. Brenner and Earl A. Molander, entitled "Is the Ethics of Business Changing?" As part of a lengthy survey on business ethics and social responsibility completed by 1,227 *Harvard Business Review* readers, the editors attempt to establish how US readers think compared with 1961 when Raymond C. Baumhart, SJ, conducted a survey on business ethics. The authors concluded that "today's executive often faces ethical dilemmas and observes generally accepted practices which he or she feels are unethical."[12] The responses to the 1976 survey also indicate that ethical codes can be most helpful in situations where there is general agreement that certain unethical practices are widespread and undesirable. However, codes are considered to be of only limited use to executives for either controlling outside influences on business ethics or resolving fundamental ethical dilemmas. The survey's authors, in a clear reference to the enforcement problems inherent in ethical codes, conclude that codes "are no panacea for unethical business conduct."[13]

Perhaps the most interesting result of the 1976 *Harvard Business Review* survey is a new view of social responsibility. "The current revival of interest in business ethics coincides with a renewed focus on corporate social responsibility".[14] While the survey disproves the caricature of the American business executive as a power-hungry, profit-bound individualist, it also identifies two barriers to social responsibility. First, corporations still resist measures when trying to put social responsibility into practice. A second major barrier is uncertainty – uncertainty as to what "social responsibility" means. Almost half (46%) of our respondents agree with the assertion that "the meaning of social responsibility is so vague as to render it essentially unworkable as a guide to corporate policy and decisions."[15] In response to the important question: "What do the results mean for managers and students of business ethics?" the 1976 survey shows that respondents favour changes in managerial outlook and managerial actions. These changes are summed up as follows: "It seems to us our respondents are saying that managers facing ethical dilemmas should refer to the familiar maxim, "Would I want my family, friends and employees to see this decision and its consequences on television?" If the answer is yes, then go ahead. If the answer is no, then additional thought should be given to finding a more satisfactory solution."[16] Regardless of the preferences or choices of business leaders in the matter of business ethics and/or social responsibility, the survey's authors argue convincingly that the manager "has to realise that he must continue to bear the criticism of the larger society in both the business ethics and corporate social responsibility areas."[17]

We shall refer briefly to two further essays in the *Harvard Business Review* which address important topics of direct relevance to the present project, namely, business ethics and the role of the business schools. In 1993, Andrew Stark in an incisive chapter entitled "What's the Matter with Business Ethics?" notes that "far too many business ethicists have occupied a rarefied moral high ground, removed from the real concerns and real-world problems of the majority of managers."[18] As a result, managers, though they know they cannot safely dismiss the enterprise of business ethics, do find business ethics off-putting in practice. Stark observes that a number of prominent business ethicists have called for fundamental changes in business ethics as part of an attempt to offer new approaches of value to both academic business ethicists and professional managers. But, even those business ethicists who have gone beyond the question "Why be moral?" as part of an effort to address some of the hard ethical questions faced by managers, are dogged by the charge of failing to engage with the world of practice. As Stark comments "Even when business ethicists try to be practical, however, much of what they recommend is not particularly useful to managers."[19] In response to the "crisis of legitimacy" affecting business ethics, some business ethicists have begun to engage with "the messy world of mixed motives."[20] Robert C. Solomon's *Ethics and Excellence: Cooperation and Integrity in Business*,[21] provides a very useful contribution to a new business ethic by advocating an Aristotelian view of virtue that is moderate, practical and useful to managers. Ultimately, business and ethics must speak the language of profit as well as of virtue. As Stark remarks:

> Moderation, pragmatism, minimalism: these are new words for business ethicists. In each of these new approaches, what is important is not so much the practical analyses offered [as the authors acknowledge, much remains to be worked out] but the commitment to converse with real managers in a language relevant to the world they inhabit and the problems they face. That is an understanding of business ethics worthy of managers' attention.[22]

Our consideration of the *Harvard Business Review*'s treatment of business ethics concludes with a trenchant critique of many business schools that are deemed to be out of touch with the real world of business and management. In an essay entitled "How Business Schools Lost Their Way" (2005), Warren G. Bennis and James O'Toole comment: "Too focused on "scientific" research, business schools are hiring professors with limited real-world experience and graduating students who are ill-equipped to wrangle with complex, unquantifiable issues – in other words, the stuff of management."[23] In summary, many business schools have adopted a *scientific model* which treats business like an academic discipline, and gauges success according to the excellence of research and the volume of publications in top academic journals rather than on the basis of business practice. As the business schools became focused on professorial research which, though it helped to eliminate the "vocational stigma that business school professors once bore," also resulted in deleterious consequences for graduate business education, deemed to be "increasingly circumscribed and less and less relevant to practitioners."[24] According to Bennis and O'Toole, the "new emphasis on scientific research in business schools remains, for the most part, unspoken. Indeed most deans publicly deny it exists, claiming

that their schools remain focused on practice."[25] The bitter complaint against the business schools and universities is, in the words of the columnist David Brooks, that they "operate too much like a guild system, throwing plenty of people with dissertations at students, not enough with practical knowledge. . .who teach students to be generalists, to see the great connections."[26] In order to regain relevance and "to balance the goals of faculty members with the needs of other constituencies," Bennis and O'Toole urge the business schools to "look to their sister professional schools in medicine, dentistry and law for guidance."[27] The most innovative law schools offer the best model for business because "they tend to award excellence in teaching and in pragmatic writing. Research is an important component of legal practice and education, but most of it is applied research, and its vitality is not equated with the presence of a scientific patina."[28] In the final analysis, it is a matter of balance, as Bennis and O'Toole acknowledge in pointing to a few top-tier business schools such as Harvard in the USA and the IESE Business School in Spain where "continued emphasis on case studies makes practitioners an integral part of the educational process."[29] As part of an urgent curricular reform in the business schools, what is proposed is that "the entire MBA curriculum must be infused with multidisciplinary, practical and ethical questions and analyses reflecting the complex challenges business leaders face. [. . .] Other professional schools have carved out standards that are appropriate for their various professions; now business schools must have the courage to do the same."[30]

The present volume seeks to contribute to a more adequate coalescence of ethics and business with innovative models for such coalescence, for the mutual benefit of business ethicists, professors teaching in the undergraduate and MBA classrooms, corporate executives, and businesspeople.

In the opening contribution to the volume, Domènec Melé, Professor and Chairperson of the Department of Business Ethics and Chairperson of Economics and Ethics at the IESE Business School, University of Navarre, Spain, in a chapter entitled "Business Ethics: Europe versus America," traces the development in business ethics and such related fields as Corporate Social Responsibility (CSR) during the past 25 years, starting with North America and Europe. "In this review, several factors related to business ethics will be considered, comparing Europe and the USA, namely, cultural environment, business activities, public authority, civil society and the academy." Melé concludes "by discussing how interdependence of the above-mentioned factors, as well as the cultural and political legacies in Europe and America can give a reasonable explanation of the differences." The remaining contributions to the volume are divided into three parts: Part I examines the role of business ethics at the level of individual managers.

Margaret Benefiel, Lecturer at the Andover Newton Theological School in the USA and holder of the O'Donnell Chair of Spirituality at the Milltown Institute of Theology and Philosophy in Dublin, Ireland (2003–04), by linking discernment and leadership, seeks to change the supposedly flawed decision-making processes of senior business managers.

Gabriel Flynn, Head of the School of Theology, Mater Dei Institute, Dublin City University, Dublin, Ireland, seeks to contribute to a vision for leadership in

business based on a recovery of virtue. The essay draws principally on the writings of the classical philosopher Aristotle and of the contemporary philosopher, Josef Pieper. The key question posed by Flynn is: "Why is it problematic to live a virtuous life?" His suggestion that Pieper's *Leisure: The Basis of Culture* (1952) provides the most effective antidote to the compulsive busyness of modern western business-dominated, materialist culture, if acted upon by leaders of business, could help transform work and family. Flynn concludes that the message of virtue is a message of hope and attempts to find plain language to articulate its value to those engaged in business or concerned with the formulation of government policy.

Paul T. Harper, Director, LEAD Summer Business Institute, Darden School of Business, University of Virginia, USA, responds to a keynote address given in 2005 by Richard Rorty to the Society of Business Ethics entitled, "Is Philosophy Relevant to Applied Ethics?" By analysing Rorty's address, Harper provides his own answer to Rorty's question. His approach differs from Rorty's by specifying the contributions of specific philosophies and philosophers rather than stressing the interdisciplinary nature of good theoretical inquiry. Unhappy with the interdisciplinary approach to moral theory, Harper ultimately advocates the approach of the philosopher Michel Foucault. Through a consideration of Foucault's characterization of the uses of the critical method and the critical outlook, Harper demonstrates that critique allows for a broader and clearer pedagogical platform for moral development and leadership cultivation. Fully aware of the responsibility of ethicists to provide intellectual resources that help businesspeople to identify and then work through the moral challenges of today's commercial environment, Harper concludes by offering one kind of pedagogy that he believes would serve to reinvigorate business ethics and make ethical discourse more of a reflection of our contemporary concerns.

Edwin M. Hartman, the Peter and Charlotte Schoenfeld Visiting Faculty Fellow and Visiting Professor of Business Ethics in the Stern School of New York University and an Academic Advisor with the Business Roundtable Institute for Corporate Ethics, contributes a chapter entitled "Socratic Questions and Aristotelian Answers: A Virtue-based Approach to Business Ethics". Hartmann poses important questions: How do we decide what businesspeople ought to do? What is right and what is wrong in business? He argues that an Aristotelian approach to business ethics shows how we can answer these questions. Hartman's salutary advice for the leaders of business is that "ethics is neither arcane nor certain. Being ethical is primarily a matter of being a person of good character, with virtues, emotions, values, and practical intelligence to match."

Brian Leavy, AIB Professor of Strategic Management at Dublin City University, Dublin, Ireland, in a chapter entitled "Inspirational Leadership in Business and Other Domains", proposes a contextual perspective on leadership which he claims "has important implications for the kind of education that should serve top leaders best in their ongoing development." Leavy argues that "deeper insight can be gained into the nature of inspirational leadership at the institutional level by viewing it as a dynamic process, the outcome of which is shaped by three main elements: context, conviction and credibility." His most important questions are posed in a rather implicit way: In today's changed society, characterized by a dearth of ethical

leadership, are the leaders of business also the leaders of society? Given the contextual character of strategic leadership: Is an inspirational leader an ethical leader, someone who changes society? The chapter concludes by identifying a number of developmental priorities for individuals aspiring to be institutional leaders that are linked to this perspective.

James G. Murphy, SJ, Lecturer in Philosophy at the Milltown Institute of Theology and Philosophy, Dublin, Ireland, in a chapter entitled "People in Business: Context and Character" asks: "what have business and ethics to do with each other?" He says that "the differences may be of a complementary kind," and more importantly, "that business is far more grounded in ethics than is often realized." Murphy argues that the "marginal status of business ethics, even while accompanied by lip service for public consumption, may in part be due to misunderstanding ethics. [. . .] The executive who secretly thinks business ethics a wasteful irrelevance (except for emergencies) has forgotten what makes a company successful." This essay shows that virtue ethics is a first step in the direction of a more adequate response to the leadership issue. Murphy concludes by saying that ethics should be about character formation and not a dilemma-solving exercise.

Johan Verstraeten, Professor of Ethics at the Catholic University of Louvain, (KU Leuven) Louvain, Belgium, in a chapter entitled "Responsible Leadership beyond Managerial Rationality: The Necessity of Reconnecting Ethics and Spirituality", proposes a view of leadership that is not only transactional, but also transformative. Such leadership requires the capability to motivate people to "transform their own self-interest into the interest of the group through concern for a broader goal." According to Verstraeten, "it has never been more difficult to develop authentic leadership as a consequence of the fact that our late-modern culture hinders or sometimes even blocks the development of leadership qualities." The main reason for this, in his view, "is the artificial separation between ethics and spirituality." In this chapter, Verstraeten seeks to "clarify some of these cultural obstacles and describe how spirituality can generate the basic conditions for the moral responsibility of leaders."

Part II, in a broadening of the field, considers how business ethics operates at the organizational level in companies and corporations. Inspired by John Bogle's book *The Battle For The Soul Of Capitalism*, Ronald Duska, Professor of Ethics at the American College, USA, and Julie Anne Ragatz, Doctoral Fellow at the American College, in a chapter entitled "How Losing Soul Leads to Ethical Corruption in Business" seek to address the question of corruption in business as the loss of soul. They pose an intriguing question: How would Aristotle analyse what is going on in the scandalous behaviour of business in the twenty-first century? Their response is very simple: "business has lost its soul." In a statement that should be obligatory reading for all business ethicists, Duska and Ragatz write: "The first dogma of the church of capitalism becomes the mantra: "The primary and only responsibility of business is to maximize shareholder wealth." Business is viewed primarily as a means to getting wealth." The most detrimental result of a widespread belief in this dogma throughout the business community is that "it creates a sense that there are no limits. Because there is never enough and the end of wealth accumulation justifies any means, there is no limit on the means used to accumulate the wealth except those

forced on one by the law, and this limitation is circumscribed as much as possible." Enron, which is not unique, is analysed as an example of this type of corruption. In a direct challenge to the business schools, "the Provider of Executive Talent," Duska and Ragatz call for a change of direction away from the current practice whereby "up- and- coming business students are not taught to seek their interests insofar as the law allows, but insofar as they can get away with it."

David Smith, Associate Professor in Medical Ethics at the Royal College of Surgeons in Ireland, Dublin, and Louise Drudy, a clinical scientist at the Royal College of Surgeons in Ireland, in a chapter entitled "Corporate Culture and Organizational Ethics" take up the question of corporate culture and organizational ethics in the Irish health sector. In a statement which highlights the role of leadership in business and health, Smith and Drudy remark: "It is largely in how people treat other people within the company, the manager, the secretary, retailers and so on, that the ethical climate of the business is set." A comparison is made between business norms and professional health care norms of practitioners in health care institutions. The authors offer a review of the principles which govern business ethics and health care ethics; this demonstrates a number of common features. "But more importantly they also highlight the potential for diversity and conflict. Business ethics tends to put the aim of the company or organization as primary while health care tends to place the emphasis on the individual patient." In health care, "organizational ethics is the integration of patient values, business ethics and professional ethics. Organizational ethics must work to integrate these perspectives into a unified organizational programme that provides and sustains a positive ethical climate within each health care organization. To achieve this, the organization must institute processes to ensure that this definition is understood and advanced by all in the organization. One of the ways of ensuring that this process of integration is activated is through the establishment of Clinical Ethics Committees." Many health care organizations are now using this sort of instrument. Another option to cope with these dilemmas is through the appointment of an ethics officer.

Paul Whysall, Professor of Retailing at Nottingham Business School, UK, in a chapter entitled "Values in the marketplace: what is ethical retailing?" assesses the role of ethics in the retail sector, an area that is pivotal for modern society. Whysall's contribution poses four key questions: Why have ethical issues become prominent in retailing at this particular time? What philosophical/conceptual bases exist for addressing ethical issues in retailing? Are ethical issues and concerns currently arising in retailing addressed by those bases? How, then, might we conceptualise ethics in retailing? This essay presents a significant challenge to small businesses and multinational corporations for the implementation and enforcement of an adequate ethics. It is interesting to note that Whysall gives a significant leadership role to consumers in the "pursuit of excellence, a search for virtuous retailing." As he concludes: "if we consumers want ethical retailing, we may also have to realign our own shopping motivations and behaviours."

Part III examines how business shapes society and is, in turn, influenced by the demands and expectations of society. It is noteworthy that a clear correspondence emerges between some of the key concerns expressed in our review of the treatment

of business ethics in the *Harvard Business Review* (leadership, spirituality, corporate responsibility, and the thorny issue of the relationship between theory and practice) and contributions to the present volume. Some remarks on the question of spirituality and business are germane. In all three parts of the work, questions of spirituality are raised. If, at times, terms other than spirituality are used, including "wholeness" and "integration", a careful reading of the texts indicates that the intended meaning is, in many cases, neither vague nor soft. At the individual level, spirituality issues are often discussed under the heading of leadership (Benefiel, Flynn, Verstraeten). It is also possible to think in terms of a "soul of the organization" (Duska and Ragatz) and even to analyse the role of the organization within society. The treatment of the theme of spirituality and business constitutes a broadening of the field that is in some ways innovative; it requires ethicists and businesspeople to think holistically.

Robert Audi, Professor of Philosophy and David E. Gallo Professor of Business Ethics at the Mendoza College of Business, University of Notre Dame, Indiana, USA, in a chapter entitled "The Marketing of Human Images as a Challenge to Ethical Leadership," addresses an area of profound concern for business ethics because it affects children, women and the environment. As he remarks: "The rapid spread of visual media is enormously influential in the contemporary world. The recent increase in access to the Internet heightens the problem of how to bring ethics to bear in guiding this media influence, especially in marketing. Nothing is ethically more important in marketing than the human images communicated with goods and services. This holds even where what is marketed is inanimate." Audi asks: "Why should marketing be a special challenge for ethical leadership in business and a major topic in business ethics?" "The answer, in large part, is that marketing influences a great deal of human conduct and, indeed, often influences it *subconsciously*." Audi advocates a holistic view of marketing and production "not just in a piecemeal fashion that presupposes a focal target for every product or service." He also makes a further important distinction "between goods and services that need a representation of a person for their marketing and those that do not." The concept of leadership elaborated by Audi is defined in terms of influence rather than competence. The challenge for business leaders, especially CEOs, but also at lower levels "is to keep profits strong while doing ethical marketing." Audi makes important connections between marketing, citizenship and society: "The obligations of ethical marketing are a kind of obligation of citizenship itself. Major companies are important elements in society, and their leadership is important for the culture and well-being of the societies they pervade."

Donal Dorr, an expert in Catholic social teaching from Dublin, Ireland, in a chapter entitled "Alternative Business Ethics: A Challenge of Leadership" examines how spirituality and religions play a part in a new view of ethics and leadership. In the Western world, the understanding of business that has emerged over the past couple of hundred years is one which "assumes that self-interest is the principal motive for action." In challenging "the apparent impregnability and inevitability of the present business ethos" as "grossly immoral", Dorr sees leadership as the key to change. "In the present situation, there is an obvious need for leadership through an *empowerment* of people to take responsibility for what is done in their name by

politicians and officials. There is need, too, for the gentle, persuasive *nudging* mode of leadership which can sometimes be more effective in bringing about change than attempts to push people in directions which they are not yet ready to take. But, most of all, there is a crying need for *inspirational* leadership – for the kind of creative actions which catch people's imagination, and for the transparency and raw courage which can convince others of one's sincerity. A key aspect of this inspirational leadership is the gift of communication." Coupled with such powerful inspirational leadership in the great task of humanizing business is "a holistic spirituality [which] can provide valuable insight about the kind of changes that are required. It can also offer inspiration and energy to those who work for change."

Any volume on *Leadership and Business Ethics* would be incomplete without some discussion of a major leadership initiative in business ethics of the United Nations, an endeavour known as the Global Compact. The United Nations Global Compact is intended to increase and to diffuse the benefits of global economic development through voluntary corporate policies and actions. Oliver F. Williams, C.S.C., Associate Professor of Management and Academic-Director of the University of Notre Dame Center for Ethics and Religious Values, analyses the Global Compact in a chapter entitled "The UN Global Compact: The Challenge and the Promise." He outlines the problems that Global Compact brings to the fore and offers some insight from the ethical literature that may address company concerns or provide new ways of thinking about the issues. He further argues that the forum provided by the Compact may be the most effective means to gain consensus on the role of business in society. Significantly, Williams's contribution raises the controversial issue of the meaning and contribution of ethics to the sustainability question. While the Compact offers an outstanding moral vision for businesses interested in meeting the legitimate expectations of society, there is concern centring on accountability issues. The accountability issues are in four major areas: (1) Accountability showing that the globalization of the economy actually helps the poor. (2) Accountability showing that corporate performance matches rhetoric. (3) Accountability that provides legitimacy to a two-tier pricing system and other measures that are designed to assist the poor in developing countries. (4) Accountability in the human rights area; what societal expectations are multinational companies accountable for?

In the 1990s, business ethics seemed to become much more popular, with courses, books and journals proliferating, and bigger companies often hiring their own in-house ethicist. At the 2003 World Economic Forum at Davos, Switzerland, CSR was a major theme, with nearly all participants expressing total, almost religious, devotion to the concept.[31] The two contributions to this volume on this crucial theme show that corporate responsibility cannot be realized without dialogue between business leaders and business ethicists. While there may be a diversification of terminology in CSR, as well as a variety of approaches, ethicists are grappling with a normative question for society, namely, taking responsibility and being fair and honest in a corporate, societal context.

Sandra Waddock, Professor of Management and Senior Research Fellow at the Centre for Corporate Citizenship, Carroll School of Management, Boston College,

USA, explores what she calls the paradox of corporate citizenship. In a chapter entitled "Corporate Citizenship: The Dark-Side Paradoxes of Success," she studies the paradoxical dark underbelly created by strategic success in corporations and their efforts to implement voluntary corporate social responsibility initiatives to demonstrate their good corporate citizenship. In this exploration, she looks at "the tensions of corporate citizenship and responsibility that are created not when there are crises, scandals, or misdeeds, but when the very success of the company's strategy is itself the source of concern."

Patricia H. Werhane is Ruffin Professor of Business Ethics and Senior Fellow of the Olsson Center for Applied Ethics; Strategy, Ethics and Entrepreneurship, Darden School of Business, University of Virginia, USA. She is also Wicklander Chair in Business Ethics and Director of the Institute for Business and Professional Ethics at DePaul University, Chicago, USA. Her chapter entitled "Corporate Social Responsibility, Corporate Moral Responsibility, and Systems Thinking: Is there a Difference and the Difference it makes" raises important questions. Contemporary corporate thinking often confuses a company's moral responsibilities to its core stakeholders with CSR: the extent of its responsibilities to the community. These are related but not identical, and the confusion often leads companies to imagine that corporate philanthropy can cover up or stand in for its moral responsibilities to employees, customers and shareholders. Her contribution to the debate about the extent of corporate social responsibilities broadens the perspectives of ethicists and corporate leaders and effectively sets out one agenda for future research in this area.

While each of the contributions in this collection is distinct, each invites us to examine our own mind sets about corporate responsibility and the future of free enterprise as Western multinational corporations expand into a global economy. The world has become a "village" and what were once thought of as externalities can no longer be dismissed as not part of the decision equation in business ventures. The alleged separation of business from ethics can no longer be a viable approach, if it ever was, as companies move into alien cultures and affect, both positively and sometimes questionably, traditional, non-western and non-industrial mores of local communities. Globalization has challenged our parochial management thinking. This collection of essays helps to refocus our conceptual work about commerce and business practices in this new century of global enterprise.

Notes

1. Wallace B. Donham, "Business Ethics – A general Survey", *Harvard Business Review* 7 (1929) 385–94 (385).
2. Donham, "Business Ethics – A general Survey", 386.
3. Ibid., 389.
4. Ibid., 390.
5. Ibid., 393–4.
6. Edmund P. Learned, Arch R. Dooley, and Robert L. Katz, "Personal Values and Business Decisions," *Harvard Business Review* 37 (1959) 111–20 (111).

7. Edmund P. Learned, Arch R. Dooley, and Robert L. Katz, "Personal Values and Business Decisions," 112.
8. Ibid., 113.
9. Ibid.
10. Ibid., 117.
11. Ibid., 119.
12. Steven N. Brenner and Earl A. Molander, "Is the Ethics of Business Changing?" *Harvard Business Review* 55 (1977) 57–71 (64).
13. Ibid., 68.
14. Ibid.,
15. Ibid., 69.
16. Ibid., 71
17. Ibid.
18. Andrew Stark, "What's the Matter with Business Ethics?" *Harvard Business Review* 71 (1993) 38–48 (38).
19. Andrew Stark, "What's the Matter with Business Ethics?" 44.
20. Ibid., 46.
21. Robert C. Solomon, *Ethics and Excellence: Cooperation and Integrity in Business* (New York: Oxford University Press, 1993).
22. Andrew Stark, "What's the Matter with Business Ethics?" 48.
23. Warren G. Bennis and James O'Toole, "How Business Schools Lost Their Way," *Harvard Business Review* 83 (2005) 96–104 (96).
24. Ibid., 98.
25. Ibid., 100.
26. Ibid., 101.
27. Ibid., 103.
28. Ibid.
29. Ibid., 104.
30. Ibid.
31. Reported in "Two-faced capitalism", *The Economist* (22/01/2004). For a CEO's critique of CSR, see Ian Davis, "The biggest contract", *The Economist* (26/05/2005).

Business Ethics: Europe Versus America

Domènec Melé

Introduction

Business ethics and such related fields as Corporate Social Responsibility (CSR) have undergone considerable development worldwide during the past 25 years, starting with North America and Europe. Several scholars have studied the current situation of this development for both America (Dunfee and Werhane, 1997; Werhane and Freeman, 1999) and Europe (van Luijk, 2001; Zsolnai, 1998; Habish et al., 2004). Comparing Europe and America in business ethics seems interesting not only for academic reasons, but also to understand each other more and to learn from each other's perspectives.

Comparing Europe and the United States has a long tradition, at least since Alexis de Tocqueville published *De la Démocratie en Amérique* in 1835 (Volume 1) and 1840 (Volume 2). Although he focuses on the United States, he inevitably makes frequent comparisons between this country and his home country, France. In recent years, comparisons between Europe and America have been relatively frequent in different areas, including economics, politics, labour issues, social welfare, international relations, culture, and so on; business ethics is no exception. However, comparing Europe and America is not an easy task because neither Europe nor the United States is a homogeneous reality. There are very sensitive differences between the East and the West Coast of the USA, between the Midwest and the South and, in fact, even in each American state. Europe presents an even greater variety. Actually, Europe is a patchwork of different cultures and socio-economic scopes, from the Urals to Ireland. Even if one tries to group Europe into regions, there are considerable differences. Compare, for instance, the Scandinavian countries (Norway, Sweden, Finland, Denmark), the Atlantic islands (Ireland, UK), Central Europe (Germany, Austria, Poland, etc.), Eastern Europe (Russia, Czech Republic, Hungary, etc.), and the Mediterranean countries such as Portugal, Spain, Italy, Greece and partially, France.

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In spite of this difficulty, some scholars have ventured to compare Europe and the USA, at least in certain aspects, regarding business ethics and corporate social responsibility, and from different perspectives. Singer (1991) and Vogel (1992, 1993) did so under the question of whether ethical standards are higher in America than in other countries. Langlois and Schlegelmilch (1990) compared corporate codes of ethics between the USA and three European countries (UK, France and Germany). Mahoney (1990) studied differences in teaching business ethics at the beginning of 1990. O'Neil (1986), Mathison (1993) and Murphy (1994) surveyed what European managers think about corporate ethics and they contrast their findings with Americans' views. Maignan and Ralstron (2002) compared corporate social responsibility in Europe and the United States; Doh and Guay (2006) studied differences on some CSR issues in connection with public policy and non-governmental organization (NGO) activism in Europe and the United States. Guillén et al. (2004) studied how business ethics was institutionalized in Spain, comparing American based companies with companies whose headquarters are in Europe. Palazzo (2002) presented an intercultural comparison between American and German business ethics; van Luijk (2001) described European developments in business ethics, with some comparisons with American approaches. Last, but not least, Enderle (1996) and Crane and Matten (2004, pp. 29–31) have presented several major differences on business ethics between North America and Europe.

In this chapter, we will review some of these contributions, while also presenting the personal knowledge of the author, who has been working in the field of business ethics for more than twenty years. In this review, several factors related to business ethics will be considered, comparing Europe and the USA, namely, cultural environment, business activities, public authority, civil society and the academy. We will conclude by discussing how interdependence of the above-mentioned factors, as well as the cultural and political legacies in Europe and America, can give a reasonable explanation of the differences.

Cultural Environments in Europe and America

In the USA, there is great concern for individual freedom, human rights and democracy, as well as a strong awareness of American citizenship. In the European cultural context, one can find a strong sense of social justice, equalitarianism and the will to participate. There is also concern for the environment, human rights and other social issues in developing countries. Many people feel nationalistic about their own country rather than feeling European and there seem to be difficulties in approving a common document like a European Constitution.

Europeans manifest great social expectations of the state to solve structural problems. Actually, most European countries have a strong welfare state, although this has been decreasing in latter years. In America there is a weak welfare state, although it is increasing, and there are low social expectations on the state for solving

structural problems. In addition, in some European countries, such as Germany, a sense of corporativism exists.

There are different degrees of confidence in the political system in Europe (high in the Scandinavian countries, low in Eastern countries) and corruption (low in Scandinavian countries). Europeans love the democratic system and the free market system but are probably not as enthusiastic as the Americans. The latter show a high degree of confidence in democracy and free market, as well as equal opportunities to succeed in business and in the crucial role of entrepreneur.

Another difference is the role of religion. In the USA, although there is a full separation of church and state, religion plays a large role in the public arena. Religious people are esteemed and there exists a scrupulous respect for religious freedom and spiritual diversity. In Europe, religion is rarely mentioned in policy and often media and entrainment are satirical or even annoyed by religion or religious leaders. In addition, many Europeans lack awareness of common religious, spiritual and cultural roots. However, many others are in tune with Christian social teaching and appreciate the moral statements of churches and religious leaders (more in some countries than in others). Regarding the place of religion in society, Europeans are clearly divided: near half agrees that religion is too important in society and the other half disagrees.[1]

Arguments given for business ethics in the USA are frequently about the necessity of trust for business. Scandals burrow into public opinion about corporate executives because without trust, the whole capitalistic system, which needs "good business", falls short. In Europe, people have confidence in the whole system, including the role of government and law. The reasons for business ethics and, above all, for corporate social responsibility are economic (Enderle, 1996), namely, avoidance of risks and obtaining a good reputation: two conditions for long-term profitability.

From a business perspective, the respective positions about the roles of the market and government are relevant. O'Neil (1986), from his experience in teaching the "Social and Legal Environment of Business" to both American and European students, realized that they have quite different mentalities in focusing on social issues and government regulations. He said: "European students would stress the need for a central authority with power to regulate economic activity. American students, on the other hand, would assume the laissez-faire, free enterprise position and cite Adam Smith or his modern counterpart, Milton Friedman, as their authority." (1986, p. 64).

Business Practices in Business Ethics and CSR

Business persons in Europe are more and more sensitive to the social responsibilities of business, and reputation (or risk) associated with them. "Corporate Social Responsibility", "Corporate Citizenship", "Sustainable Business" as well as "Business Ethics" have become important challenges for European corporate managers. However, the term "ethics" is less used in Europe than in the USA. Langlois

and Schlegelmilch (1990), analysing corporate ethical codes in the UK, France and Germany, found that the word ethics did not appear in the title, with a few exceptions. Instead, equivalent corporate statements used terms such as "code of conduct", "principles of action", or a set of "objectives". These statements become, in practice, an ethical code for the company (p. 523). In the same vein, Enderle (1996) noted that while in the USA there is basically one language and it is easy to discuss business ethics, in Continental Europe, there are multiple languages and many people are reluctant to talk about business ethics. Palazzo (2002) added that whereas many US corporations have introduced formal business ethics programmes, German companies are very reluctant to address normative questions publicly.

In the USA, Corporate Values and Codes of Conduct are common in most big companies (Murphy, 1998), which are generally publicized on the Internet. "Managing for Organizational Integrity" has become an important concept appealing to corporate managers. Ethics Officers or Corporate Ombudsmen and ethical training programmes are common in large American companies. In addition, prominent organizations give annual business ethics rewards. In short, although many challenges remain, business ethics is flourishing in North America (Dunfee and Werhane, 1997). After the financial scandals at the beginning of the 21st century, business ethics has received a new impulse.

In Europe, most large companies have Corporate Values statements and Codes of Conduct. This is particularly true in the case of US-based companies (Guillén et al., 2002), which follow similar practices as in the USA. Genuine European companies seem more concerned for CSR than for ethical codes and ethical training. CSR Managers and Ombudsmen are becoming common in large European companies, while there are practically no ethical officers and few ethical programmes.

Crane and Matten (2004) state that the guidelines for ethical behaviour in the USA are centred on more corporate codes of ethics while in Europe the focus is on the negotiated legal framework of business. This is probably only an approximation. Sometimes, in stressing the importance of CSR, the presence of codes of conduct in Europe is underestimated. Since the middle of 1980s, many codes of conduct have been introduced in Europe. The Swiss company Zeiss introduced a corporate code of ethics as early as 1896 and Mobil France has had a code since 1945 (Langlois and Schlegelmilch, 1990). In the intervening period, an increasing number of companies have adopted a code of conduct or similar provisions.

In America there is a long tradition of corporate community involvement and corporate philanthropy programmes. Actually, businesses have played an active role in the development of many US communities. In Europe, although there are a number of companies with philanthropy programmes and a certain involvement in the community, most European companies do not pay very much attention to the community in which they are operating. A survey carried out in three European countries (France, the Netherlands and the UK) shows that they "do not have a long-lasting tradition encouraging businesses" social involvement"; since, "it is not surprising that few European companies used organizational values to justify their apparent commitment to CSR." (Maignan and Ralstron, 2002, p. 511)

Public Authorities in Fostering Business Ethics and Corporate Social Responsibility

European governments have extensive legislation on employee rights and employment regulations and consumerism, which include many aspects that in the USA are considered part of corporate social responsibilities. Apart from this, the European Union and some European governments encourage companies to assume voluntary social responsibilities, including matters such as worker and consumer rights, the environment, human rights, community investments, beyond what laws establish on a compulsory basis. The Nice Charter and the draft of the "European Constitution" present a wide range of individual and social rights for people living in Europe, which affect business. In a more explicit way, in 2002, the European Commission published the "Green Paper" on Corporate Social Responsibility.

The governments of some European countries are also trying to encourage and foster implementation of CSR. This is the case in Italy for instance, whose government paid for institutional advertising to foster CSR. Others are not as active but, in various ways, are fostering the CSR debate. The Netherlands is a case in point, where the minister for Economic Affairs supported and promoted an investigation into the role of the government and other parties in the CSR debate. In the UK there has even been a minister for CSR, an office that was created in 2002 and whose objectives are as follows: raising the profile and highlighting the importance of social and environmental responsibility, making responsible behaviour a consideration of core business, assisting the involvement of small and medium-sized enterprises, promoting transparency in CSR reporting and awareness in the marketplace, and also promoting good practice in CSR internationally as well as in the home country.[2]

It is known that intervention of the State in social issues is greater in Europe than in the US. The welfare state has expanded greatly in Europe since the Second World War, although in recent years it has suffered a certain involution. In Europe, there is a long tradition of public authorities supporting social causes. European cultural legacy can explain this presence of the state in issues related to business ethics and CSR. Feudalism in the Middle Ages, the absolute monarchies and the modern state, emerging from the French Revolution and the Napoleonic organization, are more closely in line with the presence of Governments on issues related with the social responsibility of business.

In Europe there is no special incentive from public authorities to promote business ethics in business. US companies, however, are rewarded by institutionalizing ethics within companies. The Guidelines of the US Sentencing Commission for judges, establishes that when sentencing corporations that have committed criminal violations of US law, payable fines shall be decreased if the corporation has an effective ethical programme in place. In addition, the US Sentencing Commission has distributed grants to encourage academic research on business ethics.

The US governmental position regarding CSR follows a different style from its European counterpart. The CSR concept of the American government is focused on human rights, "but" – in the words of L. Craner (2002), Assistant Secretary of State for Democracy, Human Rights and Labor – "it also includes fighting corruption,

promoting the rule of law and good governance, and encouraging corporate philanthropy." This concern had a specific action when, in the middle of 1990s, the problem of sweatshops appeared, in which several apparel and footwear companies were involved. President Bill Clinton announced the introduction of a new "No Sweatshop" voluntary Code of Conduct for US Apparel and Footwear companies. Signatory companies, including Nike Inc., Reebok International Ltd. and Liz Claiborne Inc., agreed that a set of minimum standards for working conditions in factories would be adhered to in the production of their goods – wherever that production occurs.

Currently, US public administration provides funding for public–private partnerships, recognizes achievements by corporations, facilitates dialogue, and upholds international standards. This comprehensive approach allows ethicists to work with governments, the private sector and civil society to strengthen human rights and promote corporate responsibility (Craner, 2002). Fighting against sweatshops is still the most important goal. Apart from this, the US State Department recognizes exemplary corporate leadership through the annual Award for Corporate Excellence. These rewards are usually given for actions of corporate philanthropy. In addition, the US government grants some tax breaks for social benefits to employees and for corporate philanthropy.

Concern for (individual) human rights has a long tradition in the USA, in line with John Locke's approach, which had an enormous influence in shaping the American Constitution. At the same time, the philanthropic actions of private individuals and to some extent, of business corporations, also have a long tradition in the USA. This may be due to the relatively minor attention given to social problems by the American Government – in comparison with Europe – along with a Christian culture of concern for people in need.

Influence of the Civil Society

Civil society, understood as the totality of voluntary civic and social organizations and institutions that form the basis of a functioning society, is performing an increasing role in promoting business ethics and CSR, both in Europe and the USA. The labour movement, ecological protests, consumerist groups and many other social protest movements, along with the Churches' moral voice, have contributed from at least the 19th century to notable improvements in labour conditions, fairness in marketing and other ethics and social issues of business. Now, the NGOs, unions, civil associations, churches and religious groups are still doing their job in promoting responsible business beyond the structures of the state. Over the past 20 years, NGOs have acquired an increasing influence. Generally, they have started as interest-groups and have then become non-profit making organizations to defend or promote certain interests. Over 20% of European-level interest groups are public-interest groups, spanning consumers, the environment, citizenship, and social groups. These were established between the mid-1960s and early 1990s (Greenwood, 1997). In

America, NGO activism is older. Apart from other performances, some religious and community groups, human rights organizations, and anti-apartheid activists, were very active in building strong networks and pressed US cities and states to divest their public pension funds of companies doing business in South Africa (Wright, 1990).

In Europe, the trade unions are stronger than in the USA, but NGOs for corporate social responsibilities are weaker than in the USA. The main concern about business responsibility in Europe is for environmental and employment issues, with a more moderate concern for consumerism. In the USA, NGOs are more active in matters related to human rights and consumerism, as well as the environment.

In the USA, the public policy process does not include standing for NGOs or interest groups, while in Europe there is a long history of direct involvement by farmers, unions and interest groups in government policy and corporate governance. Presently, European governments regularly include business, labour, and other significant interest groups in the policymaking process. In this tradition, NGOs, unions and other interest groups have found access points to the European Commission and Parliament to influence European policy. In addition, the European Commission can finance some activities of NGOs, which is very rare in America (Doh and Guay, 2006).

Another point to be considered is that in some European countries, such as Germany, the United Kingdom and Scandinavia, there is a willingness to arrange partnerships between private business and public institutions; in practice, public–private partnerships are relatively frequent. In the USA, although public–private partnerships are mentioned among governmental actions (Craner, 2002), those forms of partnerships are not very common.

Socially Responsible Investment (SRI) is also unequal in America and Europe. It started in America with religious groups, which required ethical investment, especially in a negative sense (no investing in industries which damage society). Now, with a more positive approach, socially responsible investment is more widespread in the USA. SRI attempts to maximize both financial return and social good. In Europe, SRI funds are significant in some countries (UK, Sweden) but not so in many other European countries.

In America, some activist groups are trying to gain influence on social issues in some controversial companies by buying shares in those companies. Such "shareholder activism" is much less common in Europe.

Academic Developments

Since 1980, the number of endowed chairs and research centres devoted to business ethics and related matters has grown in the USA. In Europe, there is an increasing number of endowed chairs and research centres but, rather than business ethics, most are related to Corporate Social Responsibility, corporate citizenship, business in society, and so on. Slowly, business ethics and/or social issues and related matters are becoming more prominent in the business education curriculum in both undergraduate and postgraduate programmes.

In 1980, the *Society for Business Ethics* (SBE) was founded in the USA, as an international organization of scholars engaged in the academic study of business ethics, but including others with interests in the field. The first association for business ethics in Europe was the *European Business Ethics Network* (EBEN), founded in 1987. Its aim is the promotion of business ethics education and training, as well as improving practices. EBEN has national chapters in several European countries and around 1,000 individual members, apart from institutional members. In 1996 the *European Ethics Network* (EEN) was created, officially endorsed by the European Commission as a thematic network. The EEN is not exclusively about business but business and management, which are included within a wide scope of ethics in professions. Another association, one that is very active, is the *European Academy of Business in Society* (EABIS). It was created in 2002 as an alliance of companies, business schools and academic institutions. With the support of the European Commission, it is committed to integrating business in society issues into the heart of business theory and practice in Europe.

Regarding specialist scientific journals, both America and Europe have reputable journals in the field of business ethics. Apart from the well-known *Journal of Business Ethics*, published by a European publisher (Springer), although with a worldwide scope, since 1980, the *Society for Business Ethics* edited *Business Ethics Quarterly*, a journal which presents a basically philosophical approach; most of the contributing authors are from America. A new European journal: *Business Ethics: A European Review* was launched in 1991.

In Europe and America, there are annual conferences on business ethics and social issues, organized by business ethics associations (SBE, EBEN, Academy of Management-Division of Social Issues Management) or for research centres or business schools (e.g., the International Center for Corporate Accountability, in the USA, and IESE Business School, in Europe). Furthermore, several publishers have developed book series, both in Europe and America.

In Europe, business as a whole, including its social responsibilities, is stressed more than merely providing solutions for individual ethical dilemmas. However, applied ethics aimed at solving moral dilemmas is also taught. Frequently, the teaching focus is more on social actors rather than on individuals, while the cultural context is emphasized more than universal principles of morality. By contrast, in America, business ethics is conceived as an applied ethics focused on ethical reasoning for decision-making and solving dilemmas, and the business ethics approach is generally individualistic, legalistic and universalistic. However, in both Europe and America there is an increasing interest in the virtue ethics approach.

A superficial review of European conferences and contributions to journals from European authors shows that the majority of topics are about foundations of economic and business ethics, relationships between business, civil society and the state, business activities and sustainable development, business activities and public concerns, globalization and business in developing countries (human rights abuse, corruption, etc.). One can also find specific issues, such as business ethics issues in national contexts and comparisons between nations, environmental issues, teaching and the implementation of CSR, corporate risk and reputation in connection with

CSR, concern for employees and ethics in the workplace (safety, immigrant workers, gender discrimination, etc.).

The paradigm used for business ethics in North America is mainly normative, while in Europe it is based more on the social sciences (Enderle, 1996). US business ethicists use wildly rationalistic universal principles, mainly some form of deontologism or Utilitarianism. They generally offer a set of ethical principles for moral reasoning, leaving the responsibility to apply one or the other to the student or practitioner (e.g., De George, 1999; Velasquez, 2002), although some authors have a clear preference for a certain ethical theory (thus, Bowie, 1999, opts for Kant), or have introduced new ways to solve ethical dilemmas (Werhane, 1999, with a proposal on moral imagination). Stakeholder thinking (Freeman, 1995) is also very popular among American business ethicists for integrating ethics into management. It permits the use of any principled ethical theory (Freeman, 1994). However, virtue ethics in business (Solomon, 1992; Hartman, 1996) is gaining territory in America as well as in Europe.

In European Anglo-Saxon countries, the situation of the business ethics paradigm is similar to the USA, but many researchers in Central Europe are focused on communicative ethics, in which instead of substantive ethical norms, they use procedural norms (Preuss, 1999). Stakeholder Theory is sometimes applied considering social values and demands rather than ethical principles. In some European countries, especially those of Catholic tradition, business ethics is built on Moral Natural Law, based on rational human nature and the traditional human virtues, summarized in: practical wisdom, justice, fortitude and self-mastery.

Although further research would be necessary to establish solid conclusions, broadly speaking, I would say that American scholars in the business ethics field show less interest in the foundations of economic and business ethics and in the relationships between business, civil society and the state. They usually focus on topics such as conflict between personal and corporate values, organizational ethics, instrumental value of behaving ethically, business ethics theories, moral leadership or on some more specific issues related to questionable practices in the USA, more common in that country than in Europe: downsizing, cutbacks, severance terms, discrimination in the workplace (racial, ethnic, gender). They are also concerned with issues related to multinational companies in the global context: e.g., business in developing countries (human rights abuse, corruption), business and global environmental sustainability as well as globalization and business activities.

Influence of Cultural and Political Legacy

In the previous descriptions one can see that besides many differences, there are also many similarities. Among others, there is awareness of the ethical and social dimensions of business and concern for human rights and the inherent human dignity of the person. If we carefully review the contents of codes of ethics and CSR we will also find many points in common. There are certainly some differences in each of the

five areas we have considered, however, including cultural environment, business practices, government actions, civil society and the academy.

In order to understand in any depth what is common and what is different in Europe and America it could be useful to examine again their respective cultural roots. First of all, there is the fact that both Europe and America have deep roots in the ancient cultural and political development of Europe, especially before the Reformation in the 16th century. I shall briefly present some relevant insights.

We should not forget that in the Middle Ages what we now call Europe had another name, Christendom; and this was much more than a simple name. In the 13th century the domain of Christendom extended from Ireland to the Urals and from North Sweden to the Gibraltar Straits in Spain. It is hard to say whether everybody had absolute common beliefs and even less common practices. Apart from the Orthodox schism in the 11th century, there was a great variety of ethnic groups. However, Christianity endowed people with a sense of belonging and a basic morality for the whole continent.

Medieval Christianity preserved and transmitted Roman Law. The Church herself adopted the basic Roman Law categories, developing and refining them in accordance with the Christian view of *humanitas*. Monasteries promoted learning, which was extended by cathedral schools. In the 11th and 12th centuries and under the aegis of the Roman Catholic Church, universities in Western Europe were born, as institutions of higher education and knowledge development. Scholasticism flourished in the medieval universities of the 13th century, where the most outstanding personality was Thomas Aquinas (*c*. 1225–74). He developed a strong intellectual construction joining together faith and reason and giving responses to the most controversial questions of his time. Aquinas knew Aristotle's works and using Aristotelian philosophy, at least in crucial points, developed a strong philosophical and theological edifice that was to have a great influence in Europe. Even at the present time, one can find outstanding scholars such as Gilson, Maritain, Pieper and Spaemann who have re-elaborated a consistent Thomistic thought. Previously, Augustine of Hippo had used Platonic philosophy for his theology.

Common concepts in Western business ethics and other forms of ethics, are drawn largely from the Christian legacy, which, as has been said, assumed important concepts of Greek philosophy and Roman Law, along with Jewish moral precepts. Think, for instance, of concepts such as human dignity, the golden rule, concern and responsibility for people, solidarity, a sense of stewardship with natural resources, the concept and content of virtues, and several norms related to the Ten Commandments. Even human rights are implicit in Thomas Aquinas and Francisco de Victoria (Theological School of Salamanca, starting in the 16th century, in Spain).

With regard to differences, if we return to European intellectual history, we will be able to shed light on some points. After Aquinas, an important change took place, with significant consequences for ethical theory. In the 14th century, William of Ockham introduced new ideas, which meant a breakdown between Aquinas' thought and the philosophical foundations of the Christian faith. Ockham proposed *nominalism*, a philosophical approach which denies universal essences

and emphasizes individuality, along with a legalistic vision of ethics derived from the arbitrary will of God.

This way of thinking introduced by Ockham eroded the alliance between reason and faith and questioned the moral authority of the Church. Ockham and some Renaissance humanists, such as Erasmus, prepared the way for the Protestant Reformation at the beginning of the 16th century, which strongly emphasised a faith absolutely separate from reason. The Protestant Reformation had marked political implications, including religious wars between Protestants and Catholics, especially in France, disdain for any institutional moral authority, as well as the introduction of a strongly individualistic position, both in the interpretation of the Bible and in the relationships between each individual and God. The main Protestant reformers, such as Luther, Calvin and Zwingli, found support in the political powers. The Protestant Reformation had a notable influence in Germany, Switzerland, England, the Scandinavian countries and elsewhere. As a reaction, in the middle of the sixteen century, the Catholic Counter Reformation, in certain aspects related to theology, ecclesiastical reconfiguration and the emergence of new spiritual movements and religious orders, had a notable influence in other European countries, such as France, Italy and Spain.

In the USA there were no religious wars. Many of the original European colonists went to America for religious reasons, looking for religious freedom. Many were fervent Protestants, especially Calvinists or branches akin to Calvinism and Zwingli (Reformed Church, Puritan, Presbyterian). Other immigrants were Lutherans and other religious denominations. This can help to explain the strong sense of religious freedom and also why religion has traditionally played a large role in American society, including culture and politics. French and Spanish colonization of vast regions of the USA and emigration from Latin America also brought in a large number of Catholics. Currently, more than 3 out of 4 American adults identify themselves as Christians.

For centuries in Europe, political power has had a great influence on economic activity (feudalism, charters of kings for commerce, etc.) and in culture, mainly in religious affairs (Charlemagne, the Holy Roman Empire of the German Nation). Luther also took advantage of the political power of the German Princes for his protection and to spread the Reformation. The United States has a different history. From the very beginning, the historical separation of Church and state was a matter of fact. Immigrants to America had the spirit of pioneers and a strong sense of entrepreneurship. The religious beliefs of many immigrants emphasized the necessity of constant labour in a person's calling as a sign of personal salvation (Protestant or puritan work ethic) and the duty of working for the benefit of the individual and society as a whole.

At least from the Renaissance, a legalistic view of ethics was widespread in Europe and then in America. From the 18th century, there emerged in some European countries a casuistic view of morality, while in America, the necessity of compliance with the law seemed extremely important in the multi-religious and multi-ethnic society that made up the US. This could create "compliance mindedness", which could in turn at least partially explain why codes of ethics are so popular in the USA.

Enlightenment thought was enormously important for both Europe and America. The origin of this movement can be found in René Descartes (17th century), who rejected the human capacity of knowing reality, as stressed by Aquinas. Instead, he gave importance to the nature of thought rather than reality, following his famous statement: "I think, therefore I am" (cogito, ergo sum). In this way, he conditioned the methodology for those who came after him. Two main schools of thought followed Descartes in the next century: the Rationalist (Spinoza and Leibniz, among others) and the Empiricist (Hobbes, Locke and Hume, among others). While rationalists defended the view that all knowledge can be gained by the power of reason alone, the empiricists believed that all knowledge has to come through the senses, through experience. Thus, the rationalists took mathematics as their model for knowledge, while the empiricists took the physical sciences. Philosophers of this period, during the so-called, "Age of Reason", were great system builders. They presented unified systems, which included everything from epistemology to ethics and politics. One of them was principally significant for the US, and not so much for Europe, especially Continental Europe, namely, John Locke. Another was David Hume. In his political philosophy, Locke defended the natural rights to life, property and liberty. He also argued that a government could only be legitimated by defending these rights and it receives the consent of the governed through a "social contract". Locke's views were particularly present in the American Constitution. Hume presented a sentiment-based theory of ethics and so did Adam Smith, with his fellow sympathy-theory. Jurists at the beginning of the 18th century, such as Montesquieu and Blackstone, also had a considerable influence in founding the US. Along with these thinkers, the Bible also had an important role for the Founding Fathers of the United States. As Michael Novak has written, "the founding generation [of the United States] moved easily between faith and practical commonsense reasoning, indeed mounted upwards on both wings in unison." (2002, p. 6); and to prove this, among many other arguments, he mentions the findings of professor Donald Lutz, who counted 3,154 citations in the writings of the founders; of these, nearly 1,100 references (34%) are to the Bible, and about 300 each to Montesquieu and Blackstone, followed at a considerable distance by Locke, Hume and Plutarch.

In Europe, the French Revolution was a politically decisive deed during the late 18th century, while the fall of European absolute monarchies characterized the 17th and part of the 18th centuries. The Enlightenment philosophy preceded and accompanied the French Revolution. The Enlightenment advocated reason as a means to lead all forms of human activity and to establish an authoritative system that would allow human beings to obtain objective truth about the universe. Kant, probably the most mature philosopher of the Enlightenment, tried to overcome both Rationalism and Empiricism in a comprehensive system of thought, with an ethical theory based on formal principles (categorical imperative), in line with a legalistic view of ethics.

Two intellectual "revolutions" of the 19th century were important for Europe and to a lesser degree for America, namely, Romanticism and Nihilism. These emerged against the intellectual and universalistic view of the Enlightenment, and

also in opposition to aristocratic, social, and political norms of this period. Romanticism emphasized emotion as a source of aesthetic experience. It also legitimized the individual imagination as a critical authority. Nihilism, often associated with Friedrich Nietzsche, is also a radical position against Enlightenment philosophy. Nihilism argues that the world, especially past and current human existence, is without objective meaning, purpose, comprehensible truth or essential value. Nihilists generally assert some or all of the following: there is no reasonable proof of the existence of a higher ruler or creator, a "true morality" is unknown, and secular ethics are impossible; therefore, life has no truth and no action is known to be preferable to any other. Nietzsche proposed the will of power as the basic guideline for survival in life. These subjectivist visions, along with other philosophies developed in the 20th century in Europe, such as positivism, existentialism and structuralism, have produced an intellectual panorama full of scepticism, a strong laicism, full of relativism in some matters (abortion, family rights, etc.) but with absolute principles in others (homosexual rights, reduction of religion to a private matter, etc.).

Finally, to conclude this brief synthesis, the European legacy takes into account the terrible experiences of two world wars in the 20th century and various totalitarian regimes, the incredible genocides perpetrated under Hitler and Stalin. These terrible events have constituted for the whole world but mainly for Europe, a sort of catharsis, for being permanently in favour of democracy, social welfare and against all kinds of totalitarian political systems.

It is hard to predict the future but I contend that a certain convergence between Europe and America can take place, without omitting any of their genuine distinguishing characteristics. Presently, democracy, human rights and the battle against corruption are some of the points of convergence. The role of the state in encouraging business ethics and CSR could change, but not too fast. In Europe, there is a certain discontent about an excessive intervention of the state in public and cultural affairs, although the role of the state will hardly change. In the USA, public power, civil society and business are undertaking initiatives to increase the practice of business ethics (Sentencing Guidelines, voluntary code of ethics for foreign practices), but the traditional government action to combat abuses exclusively by limiting business actions is not decreasing (think, for instance on the Sarbanes–Oxley Act of 2002 in the face of recent financial scandals).

Last but not least, other basic elements in business ethics can be discovered on both sides of the Atlantic. I would like to mention three. First, the necessity of overcoming the separation thesis (Freeman, 1994) by which ethics and economics are two separate realities. The recognition of ethics as an integral part of any business would be a great advancement. Second, the recognition of the importance of virtues for business ethics and, in particular, the recognition of virtues as an essential part of personal competency for business. Third, it would be advantageous to business to recover a rationality open to transcendence, as Pope Benedict XVI has proposed, which is to overcome both the narrow rationalism of the Enlightenment and vagueness of most post-modernistic visions common to both Europe and America.

Notes

1. In accordance with the last Eurobarometer, exactly 46% agree and 48% disagree on the question: Is the place of religion in our society too important? Eurobarometer 66. Public Opinion of the European Union (First results, December 2006): http://ec.europa.eu/public_opinion/archives/eb/eb66/eb66_highlights_en.pdf accessed on December 28, 2006.
2. http://www.csr.gov.uk/pdf/dti_csr_final.pdf accessed on December 27, 2006.

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Part I
Individual Level Business Leadership

Using Discernment to Make Better Business Decisions

Margaret Benefiel

Leadership is fraught with dangers. Half of the decisions made in organizations fail.[1] What is a leader to do? Spiritual discernment keeps a leader operating on all four cylinders. This chapter will explore the practice of spiritual discernment, and how discernment can help a leader make more ethical and effective business decisions.

Leadership is fraught with dangers. Leaders become lightning rods, recipients of people's expectations, often unrealistic expectations. People project their hopes and fears onto leaders and, as a result, leaders and their actions become larger than life. In Western societies, leaders are expected to provide technical fixes for all kinds of problems, even those that have no technical fix. Many problems require wrestling with conflicting values among multiple stakeholders, and leaders who help their organizations do this work often meet resistance and become unpopular. Leaders bear the brunt of scapegoating. Occasionally, they are also assassinated.[2]

Furthermore, half of the decisions made in organizations fail. Studies of organizational leaders' decisions show that half of the decisions made are no longer in use after two years.[3] Leaders use the most successful decision-making practices least often and the least successful practices most often.[4] Studies show that most leaders can, in retrospect, identify their decision successes and failures, but they rarely subject them to systematic analysis, thus slipping into failure-prone decision-making practices time and again. These failure-prone practices include: imposing decisions by edict or persuasion, taking a problem-solving approach to decisions, and cutting off exploration of alternatives too soon. Successful practices include: articulating objectives and asking employees to discover ways of meeting those objectives, and various forms of participative decision-making. The successful practices encourage learning and innovation and most often result in decisions which prove beneficial to the organization over the long term. The failure-prone practices most often result in

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decisions which do not work, are costly in financial terms and/or reputation, and are eventually abandoned. Well-known decision failures include Disney's decision to locate EuroDisney near Paris, Ford's decision not to fix the model Pinto's gas tank after its danger was discovered, and Nestle's decision to continue to market infant formula in third-world countries.[5]

Most leaders want to make good decisions for their organizations, and their failed decisions are not for lack of trying. Because of such factors as time pressure, their perceived need to appear decisive, and unrealistic expectations from boards and employees, leaders often slip into decision-making practices that do not serve them well. Discernment can help leaders navigate through the dangers of leadership, and can help them make decisions that will stand the test of time. In fact, most decisions involve not only leaders but the teams with which they work closely. Leaders play a pivotal role in framing the decision-making process, and discernment practices can help them draw on their team's best creativity and thinking. Furthermore, since failed decisions can be a source of learning for leaders and their teams, discernment provides the retrospective pause before a costly mistake is made, encouraging experimentation and innovation.

What is discernment? The Latin word *discernere*, "to separate" or "to distinguish" or "to sift through," is the origin of the English word "discernment." Discernment involves "sifting through" interior and exterior experiences to know which help one stay centered and which pull one away from centeredness.

Discernment is a process of going deeper. It is drawing on one's whole self, heart, mind, soul, and spirit. It includes and transcends intellectual analysis. It includes and transcends emotional intelligence. It is the bringing together of all of one's faculties within the larger context of the transcendent. In discernment, one learns to distinguish the real from the illusory, the wheat from the chaff. Through being deeply spiritually grounded, the discerner cuts through the usual distractions and attachments that obscure accurate perception, and seeks to see reality clearly.

Discernment is practiced both individually and corporately. Even when done individually, it is never in isolation. Individual and corporate discernment dance together, hand in hand. Corporate discernment requires prepared hearts and minds of the individuals involved. Individual discernment requires the support of a community, nurturing and grounding the person's spiritual life. Individual discernment also requires the accountability of a community, offering checks and balances to the individual's discernment.

Historical Development

Discernment, a practice that has been used for centuries to good effect, has a number of roots. Although discernment, as a term, arose in the Christian tradition, the practice also appears in other spiritual traditions, referred to in different ways. The roots of the practice reach back as far as Aristotle. Aristotle outlined the components of decision-making as finality and means. Finality, he maintained, is the ultimate

goal of humans: the common good, personal virtue, and happiness. When people deliberate, they weigh different means of achieving this ultimate goal. Authentic deliberation involves always keeping finality in view, and choosing means which are consistent with finality.[6]

The roots of discernment are also found in the Jewish scriptures and tradition. In the Biblical world view, Aristotle's "finality," the ultimate end of humans, translates into knowing the will of God and doing it. Such passages as

> Speak, Lord, for your servant listens (I Sam. 3:10);
> O that my people would listen to me, that Israel would walk in my ways (Ps. 81:13);
> Those who seek me diligently find me (Prov. 8:17),

reflect a world view in which humans understand that knowing the will of God and doing it are both desirable and possible.

Early Christians blended Aristotle, the Hebrew scriptures, and the New Testament as they began to articulate their understanding of discernment. Such New Testament passages as

> He who has ears to hear let him hear (Matt. 13:43);
> The one who belongs to God listens to the words of God (Jn. 8:47);
> Let the person who has an ear listen to what the Spirit says to the churches (Rev. 2:7),

built on the Old Testament passages which urged believers to listen to God and do God's will. The Desert Fathers and Mothers developed teachings on discernment, which were later systematized by monks like John Cassian (d. 435) and John Climacus (d. 649). Ignatius of Loyola (d. 1556) wrote the first long treatise on discernment which subsequently became the strongest influence on Christian discernment, though many other Christians, such as Carmelites and Quakers, also developed strong discernment traditions.

Analogues to the Christian discernment process also occur in other traditions. In the Buddhist tradition, the Buddha teaches "the importance of opening the eye of Dhamma, allowing one to see things just as they are."[7] According to the yogic traditions, past actions "cloud a person's ability to see the world clearly; the practices of yoga purify a person's karma, allowing one to see things as they are."[8] The Sioux tradition refers to the "eye of the Great Spirit" enlightening one's heart so that one might "see everything" and through this vision help one's neighbor.[9] In Sufi understanding, after initiation into the Sufi path, the dervish continues the journey according to the principle of *La ilaha ilallah*, "called the sword of light because of its power in dispelling illusion and revealing truth."[10]

Because discernment has been most fully articulated in the Christian tradition, this chapter will provide an exposition of the practice in Christian language. At the same time, it is important to note that a similar exposition could be provided in the language of other traditions. In Christian understanding, discernment occurs in the larger context of God's love. God's loving care envelops all, making no distinction between the "secular" and the "sacred." Discernment is about hearing God's call in the midst of where one serves, whatever the context, knowing that God is active even in the midst of the messiest of situations. Hearing God's call and responding to God results in freedom, freedom from the need to please others, freedom from

attachment to personal gain. As one hears God's voice in the midst of the cacophany of voices all around, both internal and external, one moves into ever greater freedom.

Over the years, Christians have articulated specific guidelines for practicing discernment: for preparation, for recognizing impediments to discernment, for the practice of discernment itself. Guidelines for preparation for discernment include nurturing a trusting attitude toward God, learning to listen, prayerfulness, familiarity with Scripture, humility, and patience.[11] Widely recognized impediments to discernment include self-interest, self-absorption, self-righteousness, desire for security, attachment to a particular outcome, and desire for certainty.[12] The discernment process itself requires: maintaining an open and reflective attitude; an ability to listen to where God might be speaking, including through unexpected people and events; patience in waiting for God's answer; an ability to live with ambiguity; and a willingness to test the discernment by its fruits.

Discernment and Leadership

How does all of this relate to leaders? Leaders face many pressures each day. A cacophany of voices surrounds them. They live in the midst of endless busyness and uncompleted to-do lists. People look to them for answers to complex problems for which the leaders lack adequate understanding and problem-solving skills.

As noted above, studies show that half of the decisions made in American companies fail. The primary causes of these failures are (1) premature commitments, (2) overemphasis on analytic evaluations, and (3) using failure-prone decision-making practices.[13] As Delbecq, et al. point out in their chapter, "Discernment and Strategic Decision Making,"[14] discernment can usefully be brought to bear on this problem, helping leaders address these common decision failures. This section will examine each of Delbecq, et al's. five principles for bringing discernment to decision-making, illustrating each principle with examples of leaders and organizations. Leaders can practise these principles and develop the skills of discernment both by following the examples of the leaders provided below, and by experimenting with their own teams to find ways of putting these principles to work that fit their own personalities and cultures.

Entering the Decision Process with a Reflective Inner Disposition

Foundational to bringing discernment to a decision, a reflective inner disposition must be cultivated. Far from being a template that can be pulled out of a bag of tricks at the moment it is needed, discernment grows out of ongoing inner preparation. While this inner preparation can take a wide variety of forms, it can only be neglected to the leader's peril.

For example, Bob Carlson, retired co-CEO of Reell Precision Manufactuing (a manufacturer of hinges and clutches in St. Paul, Minnesota) practises walking in nature, listening to music, and attending worship services at his church. These practices kept him nurtured and centered for his role as co-CEO. When he does not get enough time for his spiritually renewing practices, Bob notices the difference:

> I think the big enemy of spirituality is busyness and the lack of reflective time, of quiet time. When things get really busy, when there's travel, board meetings and shareholder meetings and a number of things going on at the same time, I'll wake up some days and think, "You know, there's just not much happening right now in a spiritual sense."

Bob finds that his quiet, reflective time is essential to maintaining his depth and effectiveness as a leader.

Reell's Direction Statement begins with the principle, "We are committed to do what is right, even when it does not seem to be profitable, expedient, or conventional." Bob has learned that staying grounded helps him discern what is right. At Reell, though discerning what is the right thing to do is not always easy, leaders have discovered that discerning what is ethical is easier than discerning what will be most profitable.

Genny Nelson, co-founder of Sisters of the Road Café (a Café for the homeless in Portland, Oregon, USA) takes time to get away from the pressures of leadership at the Café. Genny's journaling practice keeps her attentive, centered, and aware. Her time-out in the nearby downtown chapel to pray ground her and give her perspective on the challenges she faces. These practices cultivate a calm and open inner disposition, and they form the foundation for her ongoing dialogue with God, which she maintains throughout the day.

Theresa McCoy, former director of Greyston Family Support Services, maintained her regular practice of doing her chanting prayers. Even on busy days, she took the time to pray, whether at home or in the office. In addition, she noticed her reactions to people, and stopped to reflect on them. Theresa sought to step away from reactivity and into groundedness, for example, when she noticed her strong negative reaction to an opinionated person and, upon reflection, saw the same thing in herself. Theresa's practices formed her inner disposition and prepared her for discernment.

Theresa was supported in nurturing her predisposition for discernment by her organization. At Greyston Foundation, the umbrella organization under which Greyston Family Support Services lies, a process parallel to the Christian discernment process is articulated in Buddhist terminology. Bernie Glassman, the founder of Greyston, articulated a three-fold sequence for perceiving reality: (1) not-knowing, i.e. shedding preconceived notions, (2) bearing witness, i.e. gazing steadily at what is, and (3) healing, i.e. taking action that will lead to spiritual transformation and healing. Greyston leaders practice this process and integrate it into their life in the organization.

Patience in the Discovery of the Underlying Nature of the Decision Issue

While leaders often face enormous pressures to make decisions quickly, premature decisions are the leading cause of decision failure.[15] This is primarily because leaders respond to the superficial presenting issue of a decision rather than taking the time to explore the underlying issues. A leader practicing spiritual discernment needs to exercise patience in allowing different viewpoints and underlying issues to surface.

Bob Carlson is a good example of a leader exercising patience in the face of diverse issues. In the economic downturn of early 2001, Reell Precision Manufacturing faced a 30 percent drop in revenues. Some members of the senior leadership team favored lay offs and some favored salary reductions, with a 6–5 split in the 11-member cabinet. While it would have been easy to push for a decision or call for a vote in order to ease the tension of the economic pressures, as co-CEO, Bob Carlson helped the team labor together and examine all of the issues. For example, while lay offs would ease the immediate budget crunch, what would be their impact on morale? How would each course of action further Reell's mission and square with its Direction Statement? The team finally agreed on salary reductions, knowing that, to the best of their ability, they had thoroughly examined the implications of both possible decisions.

Undertaking the Hard and Time-consuming Work of Gathering Information

Leaders practicing discernment not only need patience in unearthing underlying issues, they also need to do the hard work of thorough information-gathering. Too often, decisions are short-circuited because leaders fail to ask what information is needed, or they fail to gather all the necessary information, or they fail to pursue the further relevant questions that arise once the information is gathered.

As Joe Clubb, director of social work, led the strategic planning process for St. Joseph's Hospital at HealthEast (a hospital system in St. Paul, Minnesota,USA), he did the hard and time-consuming work of gathering information. He involved all the stakeholders and elicited their input. He talked with the Sisters of St. Joseph, whose forebears had founded the hospital in 1853, to hear their perspective on the mission, how it had been lived out over the years, and how they thought it should be lived out as HealthEast moved into the future. He gathered information from nurses about clinical issues and personnel issues. He gathered information from physicians about clinical issues. He gathered information from the board and administration about the mission, financial issues, and how St. Joseph's Hospital fits into the larger structures and long-range plan at HealthEast. In all the information gathering, he sought to maintain an attitude of prayerful attentiveness, being open to all voices, and eliciting different points of view.

Reflection and Prayer

Dealing with underlying issues and processing vast amounts of information from multiple stakeholders is no easy task. Reflection and prayer help leaders sift through data and pay attention to what is most important. The definition of discernment provided by Delbecq, et al. in this regard is apposite:

> Discernment is not a promise of "technical" solutions, or secret knowledge that eliminates uncertainty or suffering from the process. Discernment rather gives us a sense we are proceeding in the right direction, and that "God is with us," sharing gifts of peace, love, and joy even in the difficult discovery process.[16]

Leaders who experience increased freedom and a sense of inner peace know that they are on the right track. A leader who experiences agitation, fear, or an uneasy feeling in the pit of his/her stomach, knows to pay attention, knows that something could be amiss.

When Genny Nelson brought Sisters of the Road Café's financial struggles to God, and said, "I'm laying it at Your feet," she experienced God's peace and a fresh perspective on her struggles. She gained insight into steps she needed to take, and she knew she was on the right track.

The rock band U2 relies on all members of the band to exercise leadership and create the "U2 atmosphere" in the band and the larger U2 community. Because of the depth of trust and honesty in the group, everyone is expected to speak up when an issue needs to be addressed. As The Edge says, "When I feel uneasy with the direction we're going, I need to speak up and call the person or group on it." A band member pays attention to his feelings, to that uneasy sense he might get in the pit of his stomach, and he speaks his truth. This commitment to speaking the truth to one another has saved band members from inflated egos taking over and has kept the band together for 25 years, highly unusual for a rock band.

Tentative Decisions and Attention to Outcomes

Successful discernment relies on the "contemplative pause" when the discernment nears its conclusion. Leaders ask themselves, "What does the fruit of this decision seem to be?" They apply the tried and true tests of discernment. Are the "fruits of the Spirit" (Gal. 5:22–23), i.e. love, joy, peace, patience, kindness, goodness, gentleness, faithfulness, self-control, more in evidence? Do the leader and other members of the organization feel an increased sense of freedom to live into their callings and to live out the organization's calling? Is morale higher? Have energy and creativity increased?

When Reell Precision Manufacturing's cabinet decided to take graduated salary cuts in 2001 rather than do lay offs, they paused to notice the implications before implementing the decision. Comparing their decision to similar past decisions in the company helped them anticipate the fruits of their discernment. And they continued to pay attention once they carried out the decision. Bob Carlson reported increased

energy, increased morale, and an increased sense that "we're all in this together." Perhaps the most important confirmation Bob Carlson noted was from those who were initially skeptical:

> Several of the people who were for the lay offs have come back, 12–18 months later and said, "You know, I think the salary reductions was the right decision."

Conclusion

Leadership is fraught with dangers. Pressure for quick decisions, the culture's over-reliance on rational analysis, and the perceived need to appear decisive are but a few of the forces that can impair a leader's ability to make good decisions. By practicing discernment, spiritually grounded leaders are less likely to fall prey to the pitfalls surrounding them. Maintaining a reflective inner disposition, patiently seeking underlying issues, gathering information, approaching a decision with reflection and prayer, and testing a decision by its fruits, all help keep a leader operating on all four cylinders.

Notes

1. Paul Nutt, "Surprising but True: Half the Decisions in Organizations Fail," *Academy of Management Executive* 13 (1999), 75–90. See also Nutt, *Why Decisions Fail: Avoiding the Blunders and Traps that Lead to Debacles*, (Berrett-Koehler, 2002).
2. Ronald Heifetz, *Leadership Without Easy Answers* (Harvard/Belknap, 1994). See also Ronald Heifetz and Martin Linsky, *Leadership on the Line: Staying Alive Through the Dangers of Leadership* (Harvard, 2002) for a thorough discussion of the dangers of leadership.
3. Paul Nutt's extensive studies over the past 25 years use the criterion of whether a decision is put to use long-term as the primary indicator of its success (Nutt, 1999, 77).
4. Nutt, 1999.
5. Nutt, *Why Decisions Fail*, xv.
6. Aristotle, *Nichomachean Ethics* (Cambridge: Cambridge University Press, 2000).
7. Tejadhammo Bhikku, "Some Aspects of Spiritual Direction within a Living Buddhist Tradition," in *Tending the Holy: Spiritual Direction across Traditions*, ed. Norvene Vest (Harrisburg, Pa.: Morehouse, 2003), 6.
8. Christopher Key Chapple, "The Guru and Spiritual Direction," in *Tending the Holy*, ed. Vest, 36.
9. Andrew Wilson, ed., *World Scripture* (New York: Paragon House, 1991), 382.
10. Fariha Al-Jerrahi "The Sufi Path of Guidance," in *Tending the Holy*, ed. Vest, 23.
11. Suzanne G. Farnham, *Listening Hearts: Discerning Call in Community* (Harrisburg, Pa.: Morehouse, 2001), 30–34.
12. *Listening Hearts*, 36–37.
13. Nutt, 1999, 2002.
14. Delbecq, Liebert, Mostyn, Nutt, and Walter, "Discernment and Strategic Decision Making: Reflections for a Spirituality of Organizational Leadership," *Spiritual Intelligence at Work*, Moses Pava, ed. (Elsevier, 2004), 139–174.
15. Nutt, 1999.
16. Delbecq, et al., 166.

The Virtuous Manager: A Vision for Leadership in Business

Gabriel Flynn

Introduction[1]

The purpose of this chapter is to contribute to a vision for leadership in business based on a recovery of virtue. While others have undertaken to furnish a vision for leadership based on the ethics of virtue,[2] my aim here is, first, to enter in depth into Aristotle's thought, keeping in mind the managerial work, and, second, to present and to discuss some ideas of the German philosopher Josef Pieper (1904–1997), whose lucidity earned the praise of T. S. Eliot: "Pieper's sentences" – he said – "are admirably constructed and his ideas are expressed with maximum clarity. He restores to philosophy what common sense obstinately tells us ought to be found there: *wisdom and insight*".[3] The contribution of Aristotle and Pieper to ethics and society is of permanent value; my modus operandi in this chapter is based on a consideration of their respective ethical systems and their application to business.

The first point which I wish to make is that we must take into account the fundamental role of human nature in order to understand the obdurate difficulties encountered by business people in following the arduous path of virtue. This universal truth is adroitly expressed by St Paul: "I do not understand my own actions. For I do not do what I want, but I do the very thing I hate" (Romans 7. 15 – New Revised Standard Version). This point can be made clearer by drawing attention to a present-day conceptualization of the problem. "Fraud is rampant. [. . .] Companies are mainly defrauded by their staff, often people near the top of the organization, especially the long-serving trusted employee with a lot of freedom".[4]

I shall argue that an ethics of virtue provides important elements of a possible riposte to the serious financial scandals currently affecting business globally. I want to demonstrate that virtue ethics contributes to an environment for business that fosters best practice. The formulation and successful enactment of such a vision for leadership requires a complex and normally difficult series of interactions between relevant parties; these include ethicists, financiers, bankers, business entrepreneurs and executives, representatives of the business schools and public representatives,

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parliamentarians and members of the trade union movement. The objective is not to create another "Utopia", to illustrate a new theory of perfection. The unfortunately all too common phenomenon of financial and political scandals has effectively obliterated the notion of a perfect society in the minds of the present and future generations. Informed rather by the highly competitive environment of business and enterprise, where success is normally determined by margins of profit and where ethics is largely confined to the periphery or beyond, an appropriate application of virtue in the domain of business would contribute concomitantly to enhanced company profits and to employees' well-being. My point is that the coalescence of virtue and profit is only possible through creative and insightful business leadership. Such leadership should take account of the psychological, social and spiritual values, and associated needs, of individual workers and their families. It is incontrovertible that ethics plays an important role in the creation of a business environment in which virtues and values are brought into relationship for the good of all. In this regard, character and, in particular, the character of leaders, is paramount. As one commentator, in a discussion of the intersection of business ethics and leadership, comments:

> Ethics is about the assessment and evaluation of values, because all of life is value-laden. [. . .] In regard to leadership, says [Gail] Sheehy, character is fundamental and prophetic. [. . .] What society is now demanding, and what business ethics is advocating, is that our business leaders and public servants should be held accountable to an even higher standard of behaviour than we might demand and expect of ourselves.[5]

Ireland's "Celtic Tiger" Economy: An Introductory Case

Consideration of Ireland's "Celtic Tiger" economy, the fastest growing economy in Europe for more than a decade and the subject of significant international attention,[6] shows the value of virtue in business, as well as the deleterious consequences for society when conscience is ignored and virtues are displaced by an unscrupulous, exclusive concern for higher profits. The experience of a shared loss in Ireland where recent economic and political history provides clear testimony to a widespread erosion of trust in some of the key institutions of society, principally politics and banking, has given rise to an increased interest in business ethics.[7] This loss of confidence has also adversely affected business and finance. The phenomenon of costly state tribunals of enquiry,[8] established to investigate and eradicate unethical practices in business and politics, has had only limited success, while the notion of corporate social responsibility is commonly perceived as cosmetic, a precise oxymoron. Such perceptions, perhaps unfair or inaccurate, are nonetheless a stark reminder that the concept of "business ethics" appears to many as contradictory and in urgent need of rehabilitation. This infelicitous situation in turn begs the question: Is it possible to effect a restoration of confidence in business and its related institutions in Ireland and elsewhere in the developed world? As part of a positive response, I suggest that the restoration of confidence in a society's institutions requires a dual strategy that operates concomitantly at the level of personal morality and private ethics, as well as on the plane of corporate ethics and public policy. In such a process

of restoration, individuals and corporations would effect change from within society by accepting responsibility in their respective domains of influence. In the words of one commentator: "[P]eople can make a difference if they take responsibility for their future – as far as possible".[9] In the search for a better society, virtue can play an important role.

Since the 1990s, direct action by the Irish government to investigate large-scale financial scandals through state tribunals of enquiry, difficulties of cost, duration and procedure notwithstanding, has played an important psychological role in the creation of a good environment for business. The tribunals are of utmost importance for ongoing inward investment and future prosperity.[10] Rory Brady, Attorney General of Ireland from 2002 to 2007, describes an important benefit of the tribunals: "A benefit of the recent success of tribunals is the value of the threat of a tribunal of inquiry. Having established itself as a potent instrument of investigation it would only be a fool who would now fail to cooperate with a preliminary investigation carried out on behalf of a Government".[11] It is worth emphasizing that the tribunals constitute an essential ethical initiative that distinguishes Ireland from various southern European countries, including Greece and Spain, which also received significant European Union (EU) structural funding but whose economies still lag behind Ireland's.[12]

Ethics, Economics and Effective Political Leadership

I now wish to draw attention to the early history of the modern Irish state because it shows how effective leadership, combined with the right ethical environment for business, constitutes indispensable foundational elements for the creation of a world-class economy. In this regard, the definition of "good leadership" proposed by Joanne B. Ciulla is germane: "By good, I mean morally good and effective. That is why I think it's fair to say that ethics lies at the heart of leadership studies."[13] It is often pointed out that the dreams and ideals of youth inspire confidence, courage and vision for great deeds. The vision and leadership of the early generations of Irish political leaders, in the decades following independence in 1922, combined education and a policy of strategic alignment both within Europe and with the USA as a foundation for the eventual reversal of the legacy of colonial impoverishment, both cultural and economic, including chronic unemployment, and long-term, large-scale emigration.[14] As a young nation possessed of an irresistible democratic impulse and remarkable political stability since the foundation of the modern state in 1922,[15] the country is currently enjoying unprecedented economic prosperity.[16] Thus, Ireland is in a privileged position to effect changes at home and to exert influence abroad for the mutual enrichment of its own economy, as well as of the economies of other nations. The highly successful model of social partnership involving all the major participants in the Irish economy, based on equality, trust and mutual well-being, has contributed to industrial peace, sustained high level economic growth and social harmony.[17] Regarded as a model within the euro zone,[18] Ireland's greatest asset

remains her people. She boasts the youngest population in Europe,[19] and one of the best educated, mobile and highly skilled workforces in the world.[20] Ireland's knowledge economy is, however, constrained by the problems of global outsourcing and competitiveness.[21] In order to improve competitiveness in the business and trading sectors, what is called for is higher investment in education and in research and development, as well as adaptation to the global market, and increased entrepreneurial creativity and innovation. From all this, it is clear that the greatest challenge facing Ireland's business and political leaders, as well as those of her neighbours and friends, is to enrich and develop to their full potential the most precious resource of any nation or union of nations, namely, the people. Any strategic economic plan that is not people-centred is ultimately destined to fail.

In the process of restoration of confidence in the institutions of business, conscience can also play an important role. To understand the place of conscience on the executive's compass, we are helped by the work of the American ethicist Reinhold Niebuhr (1892–1971). He argues that the "imperatives" of personal conscience should not be sacrificed to the needs of society. *Moral Man and Immoral Society* (1932) is Niebuhr's important study in ethics and politics. He asserted that individual morality can overcome social immorality:

> The needs of an adequate political strategy do not obviate the necessity of cultivating the strictest individual moral discipline and the most uncompromising idealism. Individuals, even when involved in their communities, will always have the opportunity of loyalty to the highest canons of personal morality. Sometimes, when their group is obviously bent upon evil, they may have to express their individual ideals by dissociating themselves from their group.[22]

Niebuhr's claim that the triumph of individual conscience is "a necessity of the soul" rather than a "luxury"[23] in modern technological civilization is still relevant. The problem with this view of personal and social morality, however, is that it places an inequitable burden of responsibility on the individual. Niebuhr's contribution is nonetheless important and any attendant difficulties can be surmounted through education. In the next section, therefore, I shall consider how education in virtue, combined with personal conscience, contributes to business and assists its leaders and schools in the important work of the formation of future generations of businessmen and businesswomen.

Virtue Ethics

In common parlance, a virtue is a trait of character or intellect which is morally laudable. Virtue ethics is an ethics of character, concerned to promote "integrity" and "excellence." It is the approach of the ancients, including Plato, Aristotle, neo-Platonists, Stoics, and Epicureans.[24] With the addition of the ideals of virtue derived from Scripture, virtue ethics became a distinctive, normative system in Christian moral thought. Its main modern competitors are Utilitarianism and Kantianism. In recent years, the virtues and the ethics of virtue have enjoyed a revival of interest. This began with G. E. M. Anscombe's groundbreaking essay "Modern Moral

Philosophy" (1958), but is perhaps best known after Alasdair MacIntyre's acclaimed work *After Virtue* (1981). Virtue ethics provides an appropriate ethical framework for CEOs at a time of profound social change and political crisis in the world. As Jean Porter of Notre Dame University comments: "Virtue ethics, understood as a process of systematic, critical reflection on the virtues and related topics, is particularly likely to emerge in conditions of social change, when received traditions of the virtues undergo development and criticism."[25] Since business ethics is concerned with the grey areas between good and bad behaviour in the conduct of business, areas not covered by law or easily subject to regulation, it will be helped by the pluralist, flexible approach offered by a renewed engagement with virtue ethics.

For the proposed vision of the virtuous executive, I shall draw principally on the writings of the classical philosopher Aristotle (384–322 BC), and the contemporary Catholic philosopher Josef Pieper (1904–1997).[26] Pieper was a philosopher in the classical tradition, a catalyst between the Greek philosophical tradition and the Christian theological tradition, whose chief concern was with the real and then with rendering the truth of reality transparent through language. In search of wisdom and happiness, Pieper drew on "the perennial philosophy" of the West rooted in Plato and Aristotle. Pieper's famous book *Leisure: the Basis of Culture*, first published in German in 1948, is considered by many to be his greatest work. Its timeless reflections on silence, insight, and inactivity offer a new vision of reality that challenges the profit and productivity-driven environment of the contemporary world.

Reflection on the sources and history of ethics in general and of Christian ethics in particular leads inevitably to Aristotle. In fact, Christian reflection on the virtues draws on two sources: the ideals and theories articulated in Greek antiquity and further elaborated in the Hellenistic Roman Empire, and the ideals of virtue set forth in Scripture. Aristotle's *Ethics* is one of the most important and central texts in the history of Western philosophy.[27] It lies at the heart of contemporary moral theory and is essential to an understanding of the history of ethics. The claims to rational superiority of the *Ethics* against its rivals, whether ancient, medieval or modern, are a matter of debate.[28] Alasdair MacIntyre, a leading contemporary philosopher, argues that there are sufficient grounds for reasserting central Aristotelian positions. He makes the further claim that Aristotelianism is worthy of consideration because it possesses the capacity of revival in new forms in different cultures.

> Aristotle's ethics, in its central account of the virtues [. . .] and of the rules of justice required for a community of ordered practices, captures essential features not only of human practice within Greek city-states but of human practice as such. And because this is so, whenever such practices as those of the arts and sciences, of such productive and practical activities as those of farming, fishing, and architecture, of physics laboratories and string quartets and chess clubs, types of activity whose practitioners cannot but recognize the goods internal to them and the virtues and rules necessary to achieve those goods, are in a flourishing state, then Aristotelian conceptions of goods, virtues, and rules are regenerated and re-embodied in practice. This is not to say that those who practise them are aware that they have become to some significant degree, in their practice, although commonly not in their theory, Aristotelians. It is to say that Aristotelianism always has possibilities of revival in new forms in different cultures.[29]

If MacIntyre's assessment is correct, notwithstanding his admission that the large majority of contemporary moral philosophers disagree, then Aristotle's *Ethics* may still be relevant to those engaged in business today. This claim may be made clearer by considering his outstanding contribution to the practical science of human happiness, the subject of both the *Ethics* and the *Politics*, considered its sequel. As regards the contribution of the *Ethics* to business, I shall discuss it briefly in the next section.

Doing Business with Aristotle: Dialogue on Virtue

Introductions to Aristotle's life and commentaries on his thought abound.[30] Some brief introductory remarks may, however, be apposite to understand how Aristotle is of use in responding to the moral and ethical dilemmas at the beginning of the twenty-first century. Aristotle was born in Stagira, a small town in northern Greece, in 384 BC. His father, Nicomachus, was a doctor, friend, and physician to King Amyntas of Macedon, and this may partly explain the preponderance of medical analogies in Aristotle's ethical writings. In 367 BC, Aristotle arrived in Athens, the leading cultural centre of the region, to begin his "university" studies. "University" in this case meant the Academy, the philosophical school founded by Plato, who had been a disciple of Socrates. The two great influences on Aristotle's philosophy were Plato and his own research into biology, especially animal biology.[31] Aristotle retained Plato's interest in ethics and politics. Like Plato, he was concerned with how people ought to live, with the nature of moral virtues, justice, personal responsibility and moral weakness. Unlike Socrates and Plato, however, he emphasized virtuous activity, considered to be *the* source of happiness, as opposed to merely possessing a virtue. As Roger Crisp remarks: "For Aristotle, happiness consists in, and only in, virtuous activity."[32]

Among Aristotle's outstanding works of moral philosophy are the *Nicomachean Ethics* and the *Eudemian Ethics*. The *Nicomachean Ethics* (referred to as the *Ethics* or *NE*), viewed by scholars as almost certainly the product of Aristotle's developed intellect, is a revision of his earlier *Eudemian Ethics*. Some argue, however, that the *Eudemian Ethics* is later and contains Aristotle's mature positions.[33] Like most of his works, the *Nicomachean Ethics* was not written for publication. It consists of a full set of lecture notes, the audience for which consisted primarily of privileged young men, most of whom were seeking a career in public life. Some of Aristotle's views, notably those on the role of women in society, moral weakness, and foreigners, unreflectively adopted from Greek culture, are clearly unacceptable today.[34] It is, nonetheless, possible to identify a clear current of thought among scholars concerning the enduring relevance of the *Nicomachean Ethics*, a work dominated entirely by the primacy of praxis in the moral life.[35]

The difficulties of reclaiming Aristotle in the context of modernity notwithstanding,[36] reconstructing his emphasis on moral character and wedding his views with an essentially Christian vision of virtue, a central concern of this chapter, is

both useful and legitimate and will be discussed below. First, I shall comment briefly on Aristotle's view of virtue.

Aristotle's aim in writing the *Ethics* and the *Politics* was to provide an account of how the good person should live, and how society should be organized in order to realize that goal. Virtue is perceived as the ideal to which all good living aspires, the zenith of human activity. The most important question a young person has to face may be variously formulated as follows: "How can I make my life a success?" or "What makes life worth living?" These are the questions with which Aristotle starts his *Ethics*. His answer is disconcertingly brief: What makes a life worth living is *eudaimonia*; and to live a life which can be characterized by *eudaimonia* is precisely the aim of morality. However, it is not at all obvious what Aristotle means by *eudaimonia*. A correct understanding of his technical terms *eudaimonia* (happiness) *and aretē* (virtue) is then important. Hughes points out that *eudaimonia* is almost always translated as "happiness." This translation is apt to cause misunderstanding since in English "happiness" suggests contentment or pleasure. Aristotle, however, makes it quite clear in Book X, 7, 1177a that *eudaimonia* is achieving one's full potential which, in turn, is possible only by being ethical. In Book I, 4, 1095a *eudaimonia* is "living well" or "doing well".

In summary, for Aristotle, a fulfilled, happy or successful life consists finally in living entirely virtuously, together with moderate good fortune, throughout an entire lifetime.[37] The second term we need to look at briefly is *aretē*. For someone to possess an *aretē* is for that person to be good at something, so that the word is often translated as "virtue", though not always in a moral sense. In the *Ethics*, Aristotle speaks in particular of two kinds of *aretē*, distinguished by the fact that some virtues belong to one's moral character (for example, courage or generosity), and others to one's skill at thinking (such as being good at planning). To conclude on the question of terminology, it is clear that the terms referred to here have different meanings depending on the context: "happiness", "fulfilment", "human flourishing" or "success" for *eudaimonia*; and "virtue", "excellence" or "skill" for *aretē*.

According to Alasdair MacIntyre, Aristotle's account of virtue "decisively constitutes the classical tradition as a tradition of moral thought. [. . .] The *Nicomachean Ethics*. . .is magisterial and it is unique."[38] In Aristotle's view, a fulfilled life is a life lived *kat' aretēn* – in accordance with virtue. It is a life in which our human capabilities are put to their best use. From the end of Book III, Chapter 6 to the end of Book IV of the *Ethics*, Aristotle discusses several virtues, including courage, temperance, generosity, magnificence, wittiness, mildness, and friendliness. He distinguishes between virtues of character (moral virtues) and virtues of mind (intellectual virtues). The five virtues by which a person may achieve excellence in reasoning and truth (the most important of which in connection with ethics is practical wisdom) may be called the intellectual virtues; these are acquired primarily through teaching. The intellectual virtues are enumerated in Book VI, Chapter 3, 1139b: "Let us assume that there are five ways in which the soul arrives at truth by affirmation or denial, namely, skill, scientific knowledge, practical wisdom, wisdom, and intellect; for supposition and belief can be mistaken."[39] The moral virtues (virtues of character), such as courage and generosity, arise through habit.

Developing virtues of character is like learning a skill. Virtues, then, are dispositions engendered in us through practice or habituation.[40] Aristotle defines moral virtue in Book II, Chapter 6, 1106b–1107a: "[Moral] virtue, then, is a state involving rational choice, consisting in a mean relative to us and determined by reason – the reason, that is, by reference to which the practically wise person would determine it." To say that virtues lie in the "mean" says no more than that appropriate patterns of response come somewhere between over- and under-reacting.[41] Practical wisdom, a controversial element in Aristotle's thought,[42] is as a bridge between the intellectual and moral virtues. It entails an appreciation of the difference between what is good and bad in order to live a worthwhile life, and necessitates virtue of character in the sense that it cannot function properly without correct habits. Business people should foster practical wisdom; a vital element in Aristotle's thought and critical in the decision-making process.

I conclude the penultimate section of the present chapter by appealing again to the *Politics* and the *Ethics* because the questions considered in these ancient books are perennial.[43] Though the problems of the business community may be greater and more complex than ever, Aristotle's presentation of the virtues as dispositions engendered through practice or habituation is still relevant and should be repeated in the lecture halls of business schools and in the boardrooms of multinational corporations.[44] The message of virtue is a message of hope; it strikes against all injustice. In both religious and non-religious ethics, virtue forms an important part of the struggle for a wholly just worldwide community. The vision for a new world order based on justice and virtue must become a practical imperative for the leaders of business. Without underestimating the difficulties concerning the use of virtue ethics in business ethics,[45] it is clear that the realization of such a vision is the greatest challenge facing the business community and professional ethicists.[46]

In the remaining sections, I shall endeavour to advance the vision for the virtuous executive by considering the works of Josef Pieper. By focusing on Pieper's contribution to the dignity and humanity of the human person, I hope to create awareness among business leaders and policymakers that ethics is more than a tool in the legitimization of new technologies and business practices. Pieper leads us back to the heart of the matter by showing that the ultimate concern of ethics is the dignity of the human person.

Personal Responsibility in Business

The importance of personal responsibility in business is paramount since failure in this domain can contribute to corporate collapse, with inevitable and detrimental social consequences. The formulation of an "ethics of responsibility" (*Verantwortungsethik*) aimed at consequences, as opposed to an "ethics of conviction" (*Gesinnungsethik*) aimed at abstract principles or ultimate ends, following the classic distinction of Max Weber (1864–1920), is directly relevant to our discussion of the virtuous manager. In the politically charged atmosphere following 1918, Weber

emphatically asserted that ideals do not justify either the means or results of an action, and that responsibility for effects rests squarely with the person who makes himself/herself a cause.[47] A crucial problem in the West, however, is that the previously close connection between "act" and "consequence" in the moral evaluation of an act has been lost due to the near-total domination of economic consequences (profit), the prevalence of anonymity in society, and a growing tendency to delegate responsibility for the marginalized to government agencies. As a result, ethics has turned increasingly inwards while the individual has all but displaced the previously powerful external collective sources of authority as the sole arbiter of moral dilemmas. Only a reaffirmation of the ethics of social responsibility as an urgent imperative for the leaders of business as well as of society can begin to redress this problematic state of affairs. An ethics of social responsibility is both an ethics of conviction (respect for human dignity, commitment to the common good, etc.) and an ethics of consequences, unlike Utilitarianism, which considers only the satisfaction of those affected by the decision, but not the social consequences for human flourishing.

Whatever claims may be made regarding present advances in communications, from cyberspace and beyond, the world appears more fragmented and divided than at any point in history, a fragmentation that is perhaps most evident in the normally aggressive, competitive world of business. From the heart of the world's centres of trade and finance emanates a cry for healing of its own fractured society. The vision for leadership in business presented here involves a profound engagement with the human condition and points to a source of meaning beyond excessive individualism, self-interest and the accumulation of wealth. What is required, in order to cross the Rubicon of acquisition and accumulation, is a renewed commitment to an ethic of personal responsibility, directed primarily towards business leaders.

I suggest that a new concern for the integral needs of the person (psychological, social, cultural and spiritual) by the owners and managers of business would help to reduce some of the most deleterious trends in modern society, including increased levels of stress and a concomitant rise in the rates of suicide, marital breakdown and the disintegration of family life, as well as a continued decline in the mental and physical health of workers.[48] Personal responsibility in business requires imagination, creativity, and financial resources. My concern here is to indicate how Pieper's philosophy, through its triple foci of virtue, leisure, and the human person, provides a starting point for the formation of the broad parameters of such an ethics.

In the world of philosophy, Pieper represents "something of a pioneer in the way he understands the virtues and their importance for the total fulfilment of the person, an approach that became fashionable in the 1980s, with the appearance of MacIntyre's celebrated book, *After Virtue*."[49] Pieper, a leading figure in the Thomistic revival in the twentieth century, does not present a disputation on the various modes of ethical statement but is rather concerned to describe just one of those modes, namely, the four cardinal virtues: prudence, justice, fortitude and temperance. It is these basic virtues which enable the human person "to attain the furthest potentialities of his nature."[50] Pieper emphasizes the close connection between moral and intellectual virtues.[51] His treatment of virtue is eminently practical: it is by

practising the virtues that one becomes virtuous. In this regard, prudence is the pre-eminent virtue: "Ethical virtue is the print and seal placed by prudence upon volition and action. Prudence works in all the virtues; and all virtue participates in prudence. [. . .] The pre-eminence of prudence signifies first of all the direction of volition and action toward truth."[52] Practise of the virtue of prudence, far from implying moralistic or casuistic regimentation of the person, involves the highest ethical maturity and moral freedom: "The first of the cardinal virtues is not only the quintessence of ethical maturity, but in so being is also the quintessence of moral freedom."[53] The success of the virtuous life depends on the harmonious collaboration of prudence and charity, a process in which, ironically, the latter supersedes the former. As Pieper remarks: "This collaboration is linked to the pre-eminence of charity over prudence. Prudence is the mold of the moral virtues; but charity molds even prudence itself."[54] It is the practice of charity which elevates the human person to an otherwise unattainable and inaccessible supernatural plane.[55]

Pieper has, perhaps without intending to, provided a way forward in the quagmire of modern business, by again drawing attention to the value of virtue and of the person. He favoured the doctrine of virtue over a doctrine of duties because the latter always involves a danger of arbitrarily constructing a list of requirements, which risk obfuscating the human person who is obliged to do this or that. As Pieper writes: "The doctrine of virtue, on the other hand, has things to say about this human person; it speaks both of the kind of being which is his when he enters the world, as a consequence of his createdness, and the kind of being he ought to strive toward and attain to – by being prudent, just, brave, and temperate."[56] For Pieper, as also for Aristotle, virtue is the source of goodness and happiness in a person's life: "Prudence, then, is the mold and mother of all virtues, the circumspect and resolute shaping power of our minds which transforms knowledge of reality into realization of the good. [. . .] In prudence, the commanding virtue of the "conduct" of life, the happiness of active life is essentially comprised."[57] Citing Aquinas' *Summa Theologiae*, (I–II, 2, 8), Pieper argues that the universal good (*bonum universale*) can be found in God alone.[58]

To make Pieper's position clearer, it should be added that he was acutely aware of the limits entailed in the life of virtue, a long and painstaking process that requires a transformation of a person's character. There is also the difficulty of possible discontinuity between the natural and the theological virtues, a moot point in his philosophical edifice. As one commentator remarks: "We can understand why Pieper may wish to have it both ways – experiencing discontinuity but affirming continuity. [. . .] Our evaluation of Pieper's ethic of the virtues must partially depend upon how well he has managed to make persuasively a case for both continuity and discontinuity between the virtues we naturally acquire and the special virtues of the Christian life."[59] Hailed as a philosopher of virtue, Pieper clearly achieved a successful and fruitful coalescence of the Greek philosophical tradition and Christian thought, referred to earlier. Pieper's ideal of personal happiness depends on a balanced life of virtue in work and leisure, the success of which ultimately depends on an effective spirituality for the workplace, such as that proposed by Johan Verstraeten and others in the present volume.

Josef Pieper and the Contemporary World of Business: A Theory of Leisure

The future of any country depends on her children. Business leaders who organize work in ways that allow parents time to rear and educate children effect changes that contribute to a better society. Pieper's *Leisure: The Basis of Culture* (1952), the fruit of his wartime research, provides the most effective antidote to the compulsive busyness of our modern business-dominated, materialist culture thus overcoming the separation and inevitable alienation of work and family. Without forgoing the necessity and value of work, Pieper was resolutely opposed to absolutizing it, that is, to viewing the whole of human life from the point of view of work: "The original meaning of the concept of "leisure" has practically been forgotten in today's leisure-less culture of "total work": in order to win our way to a real understanding of leisure, we must confront the contradiction that rises from our overemphasis on the world of work."[60] The dominance of the work culture makes festivities impossible, and neutralizes culture, whereas leisure, "the basis for culture," becomes an opportunity for immersion in the real and mysterious character of the world – truth and transcendence. Pieper argues succinctly that culture arises from leisure and that leisure has its original and correct context in religious cult: "Culture depends for its very existence on leisure, and leisure, in its turn, is not possible unless it has a durable and consequently living link with the *cultus*, with divine worship."[61]

Pieper's definition of leisure proposes a radically different view of reality to that of "the exclusiveness of the paradigm of work as *activity*."[62] He places the human person at the centre of all human endeavours, and emphasizes an experiential rather than a utilitarian perspective on life:

> Leisure is a form of that stillness that is the necessary preparation for accepting reality; only the person who is still can hear, and whoever is not still, cannot hear. Such stillness as this is not mere soundlessness or a dead muteness; it means, rather, that the soul's power, as real, of responding to the real – a *co*-respondence, eternally established in nature – has not yet descended into words.[63]

Pieper, following Aristotle, distinguishes between *theoria* and *praxis*. *Theoria* is the core attitude of the philosopher who silently contemplates reality with an attitude of openness and receptivity. *Praxis*, on the other hand, entails the loss of wonder and contemplation.[64] Pieper describes a mortal conflict between *theoria* and *praxis* in the course of human history. The latter has become increasingly important and seeks to govern absolutely in a world dominated by work. In this totalitarian workaday world, "the human being is a functional entity" deprived of "any genuine poetry, music, leisure, celebration, or, of course, philosophy."[65] The obsession with work for work's sake and the need for incessant activity results ultimately, according to Pieper, in despair: "For only someone who has lost the spiritual power to be at leisure can be bored. And then Despair, the sister of Restlessness, rears its hideous head."[66] Pieper was a profoundly practical, resourceful thinker; his writings offer

solace to the tired post-modern citizens of the Western world and the possibility of salvation from the idolatrous mindlessness of the age of work.[67] But perhaps we are too busy to grasp such a profound *Aufklärung* ("Enlightenment").

Conclusion

The vision for leadership presented in this chapter advocates an innovative ethic of work centred on the restoration of virtue and leisure in business and enterprise, important elements in the Christian ethical heritage. The chapter attempts to contribute to a restoration of *balance* in the lives of business executives as well as rank and file workers. The proposed new work ethic is a study in duality: work and leisure, profit and virtue. To grasp this concept, business leaders are invited to study and effect in practice the principles propounded in Aristotle's *Ethics* and Pieper's *Leisure: the Basis of Culture*. The challenge of constructing an enduring great company depends on virtuous managers with a capacity for high principles and inspired standards, coupled with an understanding of persons as well as profits. I have argued in this essay for the elevation of the person, respect for his/her unique dignity, and for the rights of all to leisure as well as work. The recent remarkable success of Ireland's economy testifies to the necessity and permanent value of the ethics of virtue and responsibility.[68] If the significance of virtue, alongside leisure and responsibility, is not appreciated by the present generation of leaders, then the children of future generations risk becoming, "the dull slaves of toil," to borrow a painful phrase from Mark Twain's *Roughing It*.

Notes

1. I thank Professors Patricia H. Werhane, Edwin M. Hartman and Johan Wempe for useful suggestions on an earlier draft of this paper. Anonymous referees also offered good advice. An earlier version of this chapter was presented at the 14th International Symposium on Ethics, Business and Society: "Towards a Comprehensive Integration of Ethics into Management: Problems and Prospects" held by the IESE Business School, University of Navarre, Spain, May 18–19, 2006 and subsequently published in the *Journal of Business Ethics* (2008) 78, 359–372; used with permission.
2. In the past two decades, many hundreds of books and innumerable articles have been written on the theme of leadership, and many of these have expatiated on the role of virtue in management. Among the scholarly research studies, see, for example: Ciulla, J. B. (ed.): 2004, *Ethics, the Heart of* Leadership, 2nd ed. (Praeger, Westport, Connecticut); Sison, A. J. G.: 2003, *The Moral Capital of Leaders: Why Virtue Matters* (Edward Elgar, Cheltenham, UK); Goleman, D., R. Boyatzis and A. McKee: 2002, *The New Leaders: Transforming the Art of Leadership into the Science of Results* (Little Brown, London); Kouzes, J. M. and B. Z. Posner: 2002, *The Leadership Challenge*, 3rd ed. (Jossey-Bass, San Francisco, California); Bianco-Mathis, V. E., L. K. Nobors, and C. H. Roman: 2002, *Leading from the Inside Out: A Coaching Model* (SAGE Publications, Thousand Oakes, California); Kakabadse, A. and N. Kakabadse: 1999, *Essence of Leadership* (International Thomson Business Press, London); Greenleaf, R. K. and Larry C. Spears (eds.): 1998, *The Power of Servant-Leadership* (Berrett-Koehler Publishers, San Francisco, California); Mintzberg, H.: 1998, *Harvard Business Review on Leadership*, 5th ed. (Harvard Business School Publishing, Boston,

Massachusetts); Grint, K. (ed.): 1997, *Leadership: Classical, Contemporary, and Critical Approaches* (Oxford University Press, Oxford); Kanungo, R. N. and M. Mendonca: 1996, *Ethical Dimensions of Leadership* (SAGE Publications, Thousand Oakes, California); Connock, S. and T. Johns: 1995, *Ethical Leadership* (IPD, London); Bennis, W.: 1992, *Leaders on Leadership: Interviews with Top Executives*, 6th ed. (Harvard Business School Publishing, Boston, Massachusetts); Solomon, R. C.: 1992, "Corporate Roles, Personal Virtues: An Aristotelian Approach to Business Ethics," *Business Ethics Quarterly* 2, 317–39; Smith, David C.: 1995, "Ethics and Leadership: The 1990's Introduction to the Special Issue of the Business Ethics Quarterly," *Business Ethics Quarterly* 5, 1–3; Ciulla, J. B.: 1995, "Leadership Ethics: Mapping the Territory," *Business Ethics Quarterly* 5, 5–28; Fisher, D. H. and Fowler, S. B.: 1995, "Reimagining Moral Leadership in Business: Image, Identity and Difference," *Business Ethics Quarterly* 5, 29–42; Lichtenstein, B. M., B. A. Smith and W. R. Torbert: 1995, "Leadership and Ethical Development: Balancing Light and Shadow," *Business Ethics Quarterly* 5, 97–116; Murphy, P. E. and G. Enderle: 1995, "Managerial Ethical Leadership: Examples Do Matter," *Business Ethics Quarterly* 5, 117–28; Collins, J.: 2001, "Level 5 Leadership: The Triumph of Humility and Fierce Resolve," *Harvard Business Review* 79, 66–76; Hartman, E. M.: 1998, "The Role of Character in Business Ethics," *Business Ethics Quarterly* 8, 547–59; Hartman, E. M.: 2001, "Character and Leadership," *Business and Professional Ethics Journal* 20, 3–21; Whetstone, J. T.: 2003, "The Language of Managerial Excellence: Virtues as Understood and Applied," *Journal of Business Ethics* 44, 343–57; Melé, D.: 2005, "Ethical Education in Accounting: Integrating Rules, Values and Virtues," *Journal of Business Ethics* 57, 97–109; Galie, P. J. and Bopst, C.: 2006, "Machiavelli and Modern Business: Realist Thought in Contemporary Corporate Leadership Manuals," *Journal of Business Ethics* 65, 235–50.

3. Pieper, J.: 1991, *A Brief Reader on the Virtues of the Human Heart*, trans. Paul C. Duggan (Ignatius, San Francisco, California).
4. See Spollen, A. L.: 1997, *Corporate Fraud: The Danger from Within* (Oak Tree Press, Dublin), 90.
5. Gini, A.: "Moral Leadership and Business Ethics," in J. B. Ciulla (ed.): 2004, *Ethics, the Heart of Leadership*, 2nd ed. (Praeger, Westport, Connecticut), 25–43 at 34, 36.
6. Fitzgerald, G.: "What caused the Celtic Tiger Phenomenon?", *The Irish Times*, 21 July 2007, 16. Garret Fitzgerald, former University College Dublin (UCD) economist and Taoiseach (Prime minister) of Ireland from July 1981 to February 1982, and December 1982 to March 1987, comments: "[S]ince 2001, we [the Republic of Ireland] have moved ahead of most of our neighbours, to the point where, in per capita purchasing power terms, our national output is now almost 10% higher than that of the rest of Western Europe, and almost 20% higher than that of the enlarged EU. Throughout the world this achievement has evoked intense interest and curiosity."
7. See Spollen, A. L.: 1997, *Corporate Fraud: The Danger from Within* (Oak Tree Press, Dublin). See, further, Solomon, R. C. and F. Flores: 2001, *Building Trust in Business, Politics, Relationships, and Life* (Oxford University Press, Oxford), 3.
8. Transparency International, Global corruption report shines light on Ireland: "The light shed on corruption through tribunals may have affected Ireland's position on a list of the world's least corrupt countries. Ireland lay in 12th position on TI's Corruption Perception Index in 1997. Ireland now stands in 17th place out of 146 countries. The index measures attitudes to corruption as captured in various domestic and international business surveys. Tribunals of Inquiry are estimated to have cost the Irish taxpayer €200 million to date. An additional €1.6 billion in unexpected funds has been collected by the Revenue Commissioners since the tribunals started their work." Available at: http://www.transparency.ie/news_events/global_corruption.htm (accessed 28 April 2006).
9. Bohan, H.: 2002, *Community and the Soul of Ireland: The Need for Values-Based Change*, A Conversation with Fr Harry Bohan with Frank Shouldice (Liffey Press, Dublin), 124.
10. Collins, N. and A. Quinlivan: 2005, "Multi-level governance", in J. Coakley and M. Gallagher (eds.), *Politics in the Republic of Ireland*, 4th ed. (Routledge, London), 384–403 at 395–401. The Irish response to recent financial and political scandals has resulted in "more laws and codes, harsher penalties, and new forms of checks and investigations."

11. Brady, R., SC: "Reflections on Tribunals of Inquiry," *Bar Review* 3, 1997 at: http://www.lawlibrary.ie/docs/Bar_Review_3(3)_1997__Reflections_on_Tribunals_of_Inquiry/101.htm (accessed 2 August 2007).
12. See *IMD World Competitiveness Yearbook* (2006). In the IMD World Competitiveness Rankings 2006, Ireland ranks 11th in the world, while Spain and Greece are ranked 36th and 42nd respectively. The *IMD World Competitiveness Yearbook* features 61 national and regional economies and includes 312 different criteria, grouped into four competitiveness factors. Available at: http://www02.imd.ch/documents/wcc/content/ovreallgraph/pdf (accessed 2 June 2006).
    See, further, "Activities of the European Union: Summaries of Legislation." Regarding Structural Funds: "The Community's contribution rate can be increased to 80% for the regions located in one of the Member States eligible for assistance from the Cohesion Fund (Greece, Spain, Ireland and Portugal), and to 85% for all the most remote regions as well as the smaller islands in the Aegean Sea in Greece" (emphasis original). Available at: http://europa.eu.int/scadplus/leg/en/lvb/l60014.htm (accessed 12 June 2006).
13. Ciulla, J. B.: "Leadership Ethics: Mapping the Territory," in J. B. Ciulla (ed.): 2004, *Ethics, the Heart of Leadership*, 2nd ed. (Praeger, Westport, Connecticut), 3–24 at 18.
14. FitzGerald, G.: 2003, *Reflections on the Irish State* (Irish Academic Press, Dublin), 16–24. See, further, Walsh, J.: 2005, "The Politics of Educational Expansion", in B. Girvin and G. Murphy (eds.), *The Lemass Era: Politics and Society in the Ireland of Seán Lemass* (University College Dublin Press, Dublin), 146–165 at 156, 165. The period 1945–1973, appropriately described by the appellation "the Lemass era", witnessed the transformation of Ireland into a modern state, a process in which education was pivotal. Seán Lemass, Taoiseach (Prime minister) from 1959 to 1966, commented that education was "both a cause of economic growth and a product of such growth." By making education "a key national priority" in the allocation of national resources, Lemass ensured the success of the state's policy of providing free post-primary education.
15. Garvin, T.: 2005, *1922: The Birth of Irish Democracy*, 2nd ed. (Gill and Macmillan, Dublin), 30.
16. See "The World in 2005", *The Economist* Intelligence Unit's "Quality of Life Index": "When one understands the interplay of modernity and tradition in determining life satisfaction, it is then easy to see why Ireland ranks a convincing first in the international quality-of-life league table. It successfully combines the most desirable elements of the new – material wellbeing, low unemployment rates, political liberties – with the preservation of certain life satisfaction-enhancing, or modernity-cushioning, elements of the old, such as stable family life and the avoidance of the breakdown of community. Its score on all of these factors are above the eu-15 average, easily offsetting its slightly lower scores on health, climate and gender equality." Available at: http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf (accessed 30 April 2006).
    See, further, the Human Development Index (HDI), published annually by the UN. This ranks nations according to their citizens" quality of life rather than strictly by a nation's traditional economic figures. The criteria for calculating rankings include life expectancy, educational attainment, and adjusted real income. The 2005 index, based on 2003 figures, ranks Ireland 8th in the world. Available at: http://www.infoplease.com/ipa/A0778562.html (accessed 26 September 2006).
    See, further, McWilliams D.: 2005, *The Pope's Children: Ireland's New Elite* (Gill and Macmillan, Dublin), 3.
17. See ESRI (Economic and Social Research Institute), "Irish Economy Overview": "Ireland is a small, open, trade-dependent economy and is one of the fastest growing economies in the developed world. [. . .] Over the last decade, unprecedented economic growth has seen the level of Irish real GDP almost double in size. There have been many reasons advanced for Ireland's success, which in combination can help explain the exceptionally strong growth rates experienced. They include EU membership and access to the Single Market; Ireland's low corporation tax rate and a large multinational presence; a high proportion of the population of working age; increased participation in the labour market especially by females; a reversal of the trend of emigration toward immigration; sustained investment in education and training; co-ordinated social partnership agreements and a more stable public finance position. [. . .] Irish living standards have increased significantly over the last decade. The OECD estimates that in terms of GDP per capita, based on current

Purchasing Power Parities, Ireland is ranked 4th in the world. Ireland's GDP per capita in 2003 is estimated at US$ 33,200, with only the US, Norway and Luxembourg ranking higher." Available at: http://www.esri.ie/content.cfm?t=Irish%20Economy&mId=4 (accessed 28 April 2006). See, further, FitzGerald, G.: 2003, *Reflections on the Irish State* (Irish Academic Press, Dublin), 161–62. "As the Irish economy expanded rapidly during the 1990s, resentment against Ireland grew in countries like Germany, France and the Netherlands, where it was simplistically – and erroneously – assumed that the prime factor in this exceptional growth was the resources being transferred to Ireland from these countries through the Community budget. In fact, whilst the Structural Funds did help Ireland to catch up on its infrastructural deficit, and thus to reduce some capacity limitations on growth, their actual direct contribution to growth was quite small. Much more important to the achievement of rapid economic growth have been domestic policies such as the rapid expansion of education, and the low rate of corporate taxation."

On 2 May 2006, Philippe Léger, the advocate general at the European Court of Justice, Europe's highest court, said that Ireland's strategy of attracting foreign investment by offering one of Europe's lowest corporate tax rates – 12.5% is "not abusing" EU law. The opinion of the advocate general which has yet to be confirmed by the full court is good news for Ireland and vindicates the right of companies to locate in the jurisdiction. See Jamie Smyth, "Key Opinion boosts Irish Foreign Investment Strategy", *The Irish Times*, 3 May 2006, 1.

18. *The Irish Times*, 27 May 2006, 14. A full-page chapter by a special correspondent in *Le Figaro* on 17 April 2006 lauded Ireland for the flexibility of employment and as a prime location for business: "In Ireland, they have grasped that everything is provisional. Ephemeral. Like life itself. But they are no longer prurient about it. Because they have discovered that the flexibility of the labour market is the sole protection of jobs. Firms disappear? Others are created. Basic jobs are outsourced? More modern and better-paid sectors take their place." See Mansergh, M., "Our neighbours discover a fair land of opportunity".
19. Ireland has the youngest population in the EU. According to a special report compiled by the Central Statistics Office (CSO) in Dublin, "Ireland has the lowest proportion of its population aged 65 & over among EU countries and is well below the EU average of nearly 17%". See *Ageing in Ireland 2007*, http://www.cso.ie/newsevents/pr_ageinginireland2007.htm (accessed 10 August 2007).
20. "While Ireland has about 1% of the European Union's population, it receives 25% of US investment in manufacturing industry in Europe. Since 1980, 40% of all inward investment in the European electronics sector has been based in Ireland. Five of the world's ten largest software companies have development or production facilities in Ireland and 60% of all software packages sold in Europe are produced in the country. Ireland is now the largest exporter of computer software on the planet. Thirteen of the world's top fifteen pharmaceutical companies have R and D and/or manufacturing operations in Ireland. The Dublin International Financial Services Centre is the prime return on investment location within the EU for the financial services industry." See: Ireland Business Directory, available at: http://www.iol.ie/~discover/bus1.htm (accessed 29 April 2006).

    See, further, McWilliams, D., *The Pope's Children: Ireland's New Elite*, 222. See, further, Brown, T.: 2004, *Ireland: A Social and Cultural History 1922–2002*, 3rd ed. (HarperCollins Publishers, London), 241. From the early 1960s, therefore, Irish secondary education became an integral part of a system of mass education. A writer in 1970, reflecting on Ireland's position in a world educational crisis, remarked, "Education is the most rapidly and inexorably expanding business in the country." For an historical account of the capital investment of the fledgling state in education, see Garvin, T.: 2005, *Preventing the Future: Why Was Ireland so Poor for so Long?* 2nd ed. (Gill and Macmillan, Dublin), 158–214.
21. See *IMD World Competitiveness Yearbook* (2006), available at: http://www02.imd.ch/documents/wcc/content/ovreallgraph/pdf (accessed 2 June 2006). See, further, the Irish government's National Competitiveness Council's, eighth *Annual Competitiveness Report* (2005). This report analyses Ireland's competitiveness using 171 indicators. Although ranked second in the EU and seventh among the OECD countries for entrepreneurial activity, Ireland's performance is relatively weak in some sectors required to drive the knowledge economy. In education, Ireland continues to enjoy relatively

strong attainment levels despite lower levels of investment at both primary and secondary levels. Likewise, levels of investment in R&D, as well as development of patents and the use of modern technologies are below those of other advanced economies. See McDowell, A. et al.: 2005, *Annual Competitiveness Report 2005* (Forfás-National Competitiveness Council, Dublin).

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23. Niebuhr, R., *Moral Man and Immoral Society*, 277.
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Business Ethics Beyond the Moral Imagination: A Response to Richard Rorty

Paul T. Harper

Introduction

In August of 2005, Richard Rorty gave a keynote speech to the Society of Business Ethics entitled, "Is Philosophy Relevant to Applied Ethics?" Rorty explored two distinct but related dimensions of moral discourse, namely the philosophical and the pedagogical. He arrives at the important conclusion that the philosophical ethics curriculum must itself come in for some overdue scrutiny if applied ethicists are going to effect a change in the ethical culture of institutions and participate in the progress of the moral development of individuals. Rorty goes on to say that even though philosophy has no privileged position in relation to moral reasoning relative to other academic disciplines, it continues to be useful for the intellectual process of determining what it is right for us to do and believe in any given understanding of a complex live situation. For Rorty, philosophy is as helpful as any other discipline for applied ethics.

The aim of this chapter is to use an analysis of Rorty's talk to open a way toward my own answer to his question. I want to interpret the question differently, though. Which philosophers continue to be relevant to applied philosophy? It is my strong belief that only *certain* philosophies continue to be relevant to applied ethics and that the engagement with the broader philosophical tradition – to include European, in addition to Anglo-American philosophers – will continue to yield important insights into the process of moral reasoning, whatever the virtues of the other genres of writing and research may be. My approach will differ from Rorty's by specifying the contributions of specific philosophies and philosophers rather than stressing the interdisciplinary nature of good theoretical inquiry. I agree that an interdisciplinary approach to moral theory is what moral theorists should aspire to, but that insight and motivation still do not make clear what kind of contribution philosophers can

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This chapter is dedicated to the memory of Margaret Dauler Wilson, late professor of the History of Modern Philosophy at Princeton University.

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make in that kind of multifaceted theoretical endeavor. Therefore, this chapter, while spending time analyzing Rorty's thoughts on the value of philosophy and the values inherent in its pedagogy, will ultimately advocate for the work of a specific philosopher: Michel Foucault.

What kind of philosophy continues to be useful for applied ethics? G.W.F. Hegel has provided us with a useful way to understand the two modes of modern philosophizing: reflexive and speculative.[1] The reflexive mode is characterized by a systematic approach that seeks to model our knowledge of the world into a hermetically sealed but complex set of relationships. Reflexive philosophers try to work out general principles and axioms from which all subsequent knowledge claims must derive. Systematic completeness is the goal of reflexive philosophers. Their overriding anthropological metaphor is that minds function like computers, as if the cognition was reducible to computation. Speculative philosophers, by contrast, have a very different moral anthropology. We have learned from social and clinical psychologists that the way people actually make decisions is far from programmatic and computational. Speculative philosophers have a view of the mind that includes emotions and imagination in the reasoning processes and, as a result, they can account for the possibility of decisions that would be unpredictable for the reflexive philosopher. The speculative mode is characterized by an openness and incompleteness in its approach to knowledge.

On its surface, it seems like applied philosophy should derive from reflexive philosophy because of the need for practitioners to arrive at fast and effective decisions. In most of the literature, the process of applied philosophy is like baking a cake, e.g. we take some ingredients from life, mix them with a few philosophical criteria distilled from the tradition, apply a little pressure, and then out comes a solution. I think that this is a very unfortunate, though common, mischaracterization. One must ask for a more critical role for philosophy. For philosophy to have a catalytic role, one where it can help to birth more insights, options, and worldviews, it must be of the speculative mode. Speculative philosophers recognize that one cannot expand the number of conclusions one has about the world until one expands the number of questions one asks about it.

Ethicists in a philosophically speculative mode – I consider Richard Rorty to be in this camp – do the important work of attempting to articulate what is always already beyond the horizon of human knowledge in the conventional sense. Though speculative ethicists are dubious to the attempts to separate claims of "what there is" from claims of "what we can know about 'what there is,' " they do hold out for the hopeful chance that claims of "who we are" can be meaningfully separated from claims of "who we can be." Theirs is a contingent future with an ever-broadening moral horizon. The speculative mode of theorizing has the advantages of being able to provide a richer account of human ethical behavior that is also pragmatically prudent. As I will argue, if there is such a thing as moral progress, and I hope there is, it is probably the result of these speculative efforts.

What is the proper leadership curriculum? Historically, moral education has always been connected to notions of leadership and solidarity. The Greeks placed a high premium on theories and techniques of moral education because they always

assumed the priority of a thoughtful citizenry as the most important precondition for a flourishing democracy. From the bardic performances of Hesiod and Homer, to the performance of the dithyrambic tragedies of Aeschylus, Sophocles, and Euripides at the annual festival of Dionysus, through the literary dialogues of Socrates and Plato and the peripatetic dispatches of Aristotle, the ultimate contribution of the Greeks was to make clear the intimate connection between ethics and education. Rorty revives some of the Greek spirit by querying whether we are being well served by the current dominant mode of Anglo-American philosophical education. I will argue that not only is the content of moral education a central consideration for any ethical theory, it will also prove to be the bedrock to any theory of leadership. It is the question of the proper function and education of business leaders that continues to bring ethical discourse into the management domain. In the rest of this introduction, I will articulate three different frames for approaching ethics in management.

Imagination, Innovation, and Leadership

Consider Patricia Werhane's work on the moral imagination and its importance for managerial decision making:

> I shall argue that most individuals. . .and institutions are not without moral sensibilities or values. Rather, they sometimes have a narrow perspective of their situation and little in the way of moral imagination. They lack a sense of the variety of possibilities and moral consequences of their decisions, the ability to imagine a wide range of possible issues. . .consequences and solutions.[2]
>
> It will turn out that the simple teaching and application of moral principles or rules may not alleviate this problem, since it is not always lack of logic or ignorance of moral principles that causes moral amnesia but their specificity in their application. This specificity has not so much to do with the particular situation at issue, *per se*, but rather with how the situation is perceived and framed by its protagonist.[3]
>
> The lynch-pin of this process is a highly developed moral imagination that perceives the nuances of a situation, challenges the framework of the scheme in which the event is embedded, and imagines how that might be different.[4]

Werhane's insight that organizations need leaders who have a well-developed moral imagination is clear to those who are already dissatisfied with the commercial status quo and, therefore, predisposed to seek and make changes. But, many times it is hard to initiate important conversations that would be critical of current business practices or the people who execute them because people in business think they are quite well served by the status quo and, therefore, have little motivation for seeking any change. This is further exacerbated by the fact that training programs only teach the uncritical application of the reigning practitioner paradigms in the various business functions, thus leaving the theory creation processes that drive business innovation to forces located outside the firm.[5] Under this description, innovative thinking is limited to some kind of reaction by leaders of the firm to perceived changes in its commercial environment.

This is a problem because unless the market changes are predictable according to old and established methods of detection, chances are that the mechanisms instituted

to detect the movement will lie mute. Business has a theoretical base and firms need leaders who can think beyond the present configuration of resources and the current arrangements between institutions. In order for them to do this, leaders have to think about what could have been and what could possibly be. Werhane's theory of the moral imagination acknowledges an expanded view of managerial thinking, one particularly appropriate to a leadership point of view. Applied ethics education, then, should provide an intellectual basis for a leadership model where any given business leader embodies the nexus of innovation in thought and innovation in practice.

Critique, Responsibility, Leadership

All business decisions have normative content, regardless of their function or scale. One of the jobs of a business ethicist is to fish out the moral content of business decisions and come to some understanding of the stakes and interests involved. A central contribution of the ethicist to management practice is the presentation and application of precepts and models taken from the history of moral thought. But, to be useful, ethics should not be thought of as some external ruler by which a decision can be judged "good" or "bad." If it were, ethics would merely be a conversation about that external ruler (all too often this is the case). Karl Marx was right when he theorized that behavior merely complying with or following external rules is alienated and inauthentic.[6] Ethics must be characterized as something internal to the decision-making process to be something that is of interest to leaders rather than just philosophers and theologians.

How do you make ethical decision-making an authentic enterprise for business leaders? Michel Foucault makes one of the most sophisticated contemporary analysis of the problems of authenticity and agency and, therefore, this chapter will culminate with a discussion of his reflections. For the purposes of brevity, I will use Judith Butler's summary of Foucault's ethical impulse in this introduction:

> There are some preliminary ways we can understand Foucault's effort to see critique as virtue. Virtue is most often understood as an attribute or a practice of the subject, or indeed a quality that conditions or characterizes a certain kind of action or practice. It belongs to an ethics that is not fulfilled merely by following objectively formulated rules or laws. And virtue is not only a way of complying with or conforming to pre-established norms. It is, more radically, a more critical relation to those norms, one which, for Foucault, takes shape as a specific stylization of morality.[7]

For Foucault and Butler, virtue is the action of thinking rather than an attribute of thought. This makes the subject of ethical consideration the person making the judgment. If we frame ethical discourse in this way, then it only makes sense that it is more interesting to talk about good people rather than good decisions. This understanding of ethics is particularly important in business because a firm cannot hold a "decision" accountable for its own effects. People must be held accountable for their actions and, therefore, the theoretical basis by which a firm holds people responsible for their acts must be biased and the assumption of the freedom, authenticity, and thoughtfulness of the moral subject. It is only if we acknowledge that leaders have

the virtue of critical thought that we can then hold them responsible for what those thoughts make them do.[8]

Moral Awareness, Self Awareness, and Leadership

> . . .Ethics training must be broadened to include what is now known about how our minds work and must expose managers directly to the unconscious mechanisms that underlie biased decision-making. And it must provide managers with exercises and interventions that can root out the biases that lead to bad decisions. Managers can make wiser, more ethical decisions if they become mindful of their unconscious biases. . .What's required is vigilance – continual awareness of the forces that can cause decision-making to veer from its intended course and continual adjustments that counteract them.[9]

Social psychologist, Mahzarin Banaji, has developed a test for cultural bias in decision making. Her *Implicit Attitudes Test* measures the response time to different questions. By analyzing the variance in response times, Banaji is able to gauge how honest a person's answer is to any given question. As the above passage makes clear, the *Implicit Attitudes Test* is not just a method of diagnosis but also an important normative training tool. It can help with moral development and education just by making the manager aware that these biases exist.

The problem of biases and blind spots is a challenge for leaders in general. As one group of leadership psychologists has found:

> For executives, whose success hinges on the many day-to-day decisions they make or approve, the psychological traps are especially dangerous. . .It's important to remember, though, that the best defense is always awareness. Executives who attempt to familiarize themselves with these traps and the diverse forms that they take will be better able to ensure that the decisions they make are sound and that the recommendations proposed by subordinates or associates are reliable.[10]

It is up to the manager to take a leadership point of view, which would demand incorporating the insights from the bias tests and colleague feedback into his/her daily routines. Leaders who seek out methods for obtaining information about their moral blind spots will prove to be more effective in achieving their organizational and personal goals.

This chapter will progress as follows: In the next section, I will summarize Richard Rorty's argument for moral progress from his *Society of Business Ethics* address. In the talk, his ethical theory is grounded in the notion of the "moral imagination." My argument will be that his notion of the moral imagination is not robust enough to procure the kind of moral progress he desires. In the second section, I will offer an alternative model by explicating the intellectual paradigm that I think both explains and produces the desired innovations in our moral understanding: *critique*. Through a consideration of Michel Foucault's characterization of the uses of the critical method and the critical outlook, I will demonstrate that critique allows for a broader and clearer pedagogical platform for moral development and leadership cultivation. In the third section, I will outline the shape of one kind of pedagogy that I think would serve to reinvigorate business ethics and make ethical discourse

more of a reflection of our contemporary concerns. Our responsibility as ethicists is to provide for our audience intellectual resources that help them to identify and then work through the moral challenges of today's commercial environment.

The embrace of *difference* that I am calling for has many pedagogical implications and, therefore, must be reinforced by the leadership curriculum. Specifically, we need to find ways to identify and then listen to the people at the margins, because there is something about being on the borders of ethical conversations that provides valuable insight into the assumptions operating within the moral core of a given community or society. Not only must we find ways to incorporate the experiences of marginal people, we also need to experience what it means to be marginalized. In the end, then, my leadership prescriptions will be a set of exercises where leaders can gain an intimate knowledge of life on the ethical frontier.

The Moral Imagination and Applied Ethics

In this section, I will analyze Rorty's belief that the moral imagination is the engine of moral progress. The peculiar challenge for my chapter is that I need to reference a speech that is not in the public domain. For the benefit of my readers, I will reproduce the passages that I think best summarize the portions of his argument that I think are relevant to my own. I will also discuss the work of Patricia Werhane because of the central role her work on moral imagination plays both in Rorty's chapter and the field of business ethics at large. As you will see in this section, both Rorty and I believe in moral progress but we differ in how to account for that progression.

Rorty's argument for moral progress runs as follows:

> One great divide in contemporary philosophy is between people who still believe something like [absolute justification], and those who, like me, believe nothing of the sort. For us, there is no particular connection between right action and clear thinking. There were clear-eyed Nazis and muddled saints. There is no connection between the skill of justifying one's beliefs – rhetorical effectiveness – and having the right beliefs. Being able to have the right beliefs and to do the right thing is largely a matter of luck – of being born in a certain place and a certain time. For purposes of having true beliefs about the movements of heavenly bodies, Aristotle was born at a bad time and place and Newton a better one. For purposes of knowing whether either torture or sodomy is a moral abomination, all of us were born into a better culture than were those who worked for the Inquisition.
>
> For those of us who hold this view, the obvious problem is how to think of moral progress. If there is nothing of the sort that Plato postulated – an underlying sense of right and wrong that is common to all human beings at all times and places – can we still say that we have made moral progress since the days of the Inquisition? If we do not have a faculty called "reason" that can be relied upon to help us make the right moral decisions, how can we make sense of the claim to make better decisions now than when we were callow adolescents? The best answer to these questions, I think, is that individuals become aware of more alternatives, and are therefore wiser, as they grow older. The human race as a whole has become wiser as history has moved along. The source of these new alternatives is the human imagination. It is the ability to come up with new ideas, rather than the ability to get in touch with unchanging essences, that is the engine of moral progress.

One of the lessons that Rorty has culled from the study of the history of culture is that our species improves with age, both technologically and socially. Humans are not doomed to repeat the same decisions; we learn. Further, the knowledge available to any person or to people accrues over time. We benefit from the civilizations that have passed before ours, and those that come next will benefit from the achievements and the failures of our own age. Therefore, for Rorty, as humanity gets older and wiser it gets better at discriminating between choices based on its understanding of the moral implications.

Though this line of reasoning bears the odor of Hegel's philosophy, it is important to note that Rorty is no Hegelian, e.g. he does not believe in an ultimate Historical Consciousness or Absolute Knowledge. Contra Hegel, Rorty's historical progression includes no eschatology or noble end-state. There is no "end of history" for Rorty's philosophy, and this poses a particular problem for his theory. Hegelians and Marxists have a built-in culminating point in their philosophies of history that, like inertia, pulls human history towards it. In their theories, the endgame explains the motion of history and the eschatology procures the historical progression. Rorty has to rely on a different kind of explanation for the historical motion that he described as moral progress. Rather than the end of history, it is the moral imagination that is the engine of progress.

> Moral progress is not, on this pragmatist view, a matter of getting clearer about something that was there all the time. Rather, we make ourselves into new kinds of people by inventing new forms of human life. We make progress by having more alternatives to consider. . .
> The emphasis I have been placing on the role of imagination follows a line of thought familiar from the work of Patricia Werhane. But I am inclined to adopt a more radical stance than hers. Werhane says that she realized that "ignorance of moral theory and lack of moral reasoning skills" were not enough to explain "why ordinary, decent, intelligent managers engage in questionable activities and why these activities are encouraged or even instigated by the climate or culture of companies they manage." This realization, she says, led her to realize that "something else was involved: a paucity of what I have come to label 'moral imagination' " Her book argues that "moral imagination is a necessary but not sufficient condition for creative managerial decision-making."
>
> I suspect that it may, in fact, be sufficient, as well. I think of moral imagination not as a supplement to moral theory and moral reasoning skills, but as pretty much all you need. Although an acquaintance with moral theory may sometimes come in handy, you can usually get along quite well without it. The principles formulated by thinkers like Kant, Mill, and Rawls provide handy little summaries of sub-sets of our moral intuitions. Invoking such principles speeds deliberation, but it does little to help with the tough cases – the ones where institutions conflict.

For Rorty, there is a fairly direct connection between the degree of moral progress a culture can claim and the size of its basket of alternative solutions to hard cases. As is clear from these passages, Rorty believes modern philosophers have spent most of their time asking the wrong side of the moral question. They are convergence theorists. What I mean by this is that modern ethical theorists have worked hard to promote a method for ethical decision-making that seeks to winnow down the number of possible solutions to any problem. Convergence theorists serve their intellectual goal of producing some sort of uniformity across decision-makers. Convergence theorists have served their moral universe well if through their moral methodologies

they can get most reasonable people to arrive at the same reasonable solution most of the time.

Rorty is a divergence theorist and, therefore, brings a more postmodern sensibility to ethical discourse. For him, it is not about limiting the number of reasonable responses but precisely the opposite. Divergence theorists are not interested in foreclosing on the future but, instead, find their motivation in the idea of a future unknowable in advance and, therefore, ripe with opportunities for novelty. "We create new forms of human life. . ." by not being overly committed to current and past modes of culture, and ". . .we have more alternatives to consider" when we become less satisfied with the alternatives currently under consideration. The divergence side of moral reasoning is more interested in multiplying the number of questions we ask of any one situation than it is interested in trying to posit the same solution to most moral questions.

Further, it is only in an environment where the future has not been foreclosed or colonized that the imagination can play an informative role in the decision-making process. The problem of convergence as a theoretical outlook is that in its attempt to eliminate the uncertainty of effect it can smother diversity of thought. There is a significant difference between the elimination of uncertainty and the management of uncertainty: Managers of uncertainty are leaders rather than Gestapos. And philosophers that seek to eliminate uncertainty plant the seeds of their discipline's demise.

Rorty believes that moral imagination moves morality forward because, by it, leaders can grasp a novel solution to customary questions that can then change the way we problematize people, places, and things in the present tense. In other words, the moral imagination can change with the way we think about solutions by changing the way we think about problems. Again, we are opened to the future by continuing to struggle and rethink those understandings that have become commonplace and quotidian in the present.

This stance differs from that of the convergence theorist because of its risk profile. Through their attempt to eliminate uncertainty, convergence theorists ultimately hope to eliminate risk. But this is folly for two reasons. First, convergence theorists leave themselves open to the risk that they attempt to sweep under the rug precisely because they did not find a way to convert the risky element from a strategic liability to a strategic asset. Convergence theorists are particularly prone to fall prey to the return of the repressed or the oppressed. The second reason, the hope for the elimination of risk is folly in that where there is no risk there is little return. Divergence theorists are willing to risk their comfort and stability for the idea of a better world order. For divergence theorists, then, the risk is that they or their children will end up with a world less attractive than the one they helped to undermine. In their attempt to expand the bandwidth of moral possibility, the starry-eyed divergence theorist can easily become complicit with the creation of a different world that is not at the same time particularly progressive. But, and this is important, divergence theorists are optimistic about the future of humanity and, though the path to progress is sure to be fraught with foibles and fallbacks, they believe that in the long run, humanity is more likely to be better off than worse off.

There is a final distinction of Rorty's that still remains to be explained, and that is the difference between his version of the uses of moral imagination and that of Patricia Werhane. He claims that he has "adopted a more radical stance than hers" and only now can I begin to describe the contours of Rorty's supplement. According to the philosophical interpretation that I have been using so far, it would be best to characterize Werhane as a convergence theorist, one who still clings to the idea that the moral imagination needs to be domesticated in order to be of use in moral deliberation. While she acknowledges the emancipatory power of the imagination in the service of human affairs, her theory shows deep discomfort with the idea of an uncertain and risky future. Thus, I detect hesitancy in her moral theory, a theory that points the way out of our current morass but is unable to separate itself from some of our traditional philosophical attachments. Rorty, on the other hand, seems to have purged himself of the traditional modern philosophical reflexes and is perfectly willing to risk adopting new ones.

My comments should strike readers as somewhat ironic, because no philosopher within the field of business ethics has worked harder to get both theorists and managers to take the moral imagination seriously than Patricia Werhane. Out of fairness, then, I want to take a few moments and revisit her chapter "Moral Imagination and the Search for Ethical Decision-Making in Management." It is this chapter where she most clearly defines her understanding of the moral imagination and also recounts its origins in the Scottish Enlightenment. This is also the chapter that Rorty cites when he makes his own contrasting comments concerning the moral imagination.

> The role of imagination is crucial for an understanding of Smith's notion of sympathy and indeed his whole moral psychology. Smith argues that each of us has an active imagination which enables us mentally to recreate feelings, passions, and the point of view of another. In this imaginative process one does not literally feel the passion of another, but one is able to "put oneself in another's shoes," so to speak, and to understand what another is experiencing from their perspective.

Werhane follows David Hume and Adam Smith in her desire to provide some sort of explanation of how humans grow to care about persons other than themselves. These philosophers theorize from a position that assumes humans are fundamentally social creatures. But, their position does not take it for granted that the fundamentally social nature of humanity also makes the species fundamentally *communal*; the fact that humans are social creatures is only the beginning of the moral inquiry, not its end. Their studies of ethics center on moral psychology because that is the mechanism through which they believe the fundamentally social character of humanity gets refined, and subsequently expressed in the achievement of community.

Sympathy, according to Werhane, is the lynchpin of Smith's moral theory. She characterizes this attitude as the result of an active imagination reaching out and latching on to the lives and experiences of others; it is a moral intuition of sorts. Though she is careful not to overstate the knowledge that one can gain from the moral imagination, e.g. one cannot know that their intuition of what another person is actually experiencing, or that one's interpretation of another's experiences maps

on to the interpretation the other person is making about their own experiences. But, that is not the point. The moral imagination is more or less an attitude. It reflects a desire, whether large or small, of a person to consider the experience of others in coming to our own understanding of the world. The moral imagination, in this sense, also plays a strong revising role in that how we intuit the experience of others challenges the understanding of the world we would have otherwise. What else could sympathy be if not the ability we have to value another person's experience as much as our own and sometimes even more?

"Smith breaks with a rationalist tradition by linking moral judgment to moral sentiment. Moreover, it is moral imagination along with sympathy that helps to discern what society ought to approve of, thus shaping moral rules out of community rather than individual values."[11] For Werhane, it is the ability for us to sympathize that is paramount when it comes to codifying some sort of guidelines that will function as the basis, or contract if you will, of a community. A human community that flourishes is one where the constituents feel for their fellows. Again, it is the moral imagination that underlies our ability to sympathize with others and, therefore, it is the moral imagination that for Werhane is the iconic expression of our social natures.

> But Smith's work is limited by his assumption that all of us deal with the world in the same way – through the conceptual scheme of a Scottish gentleman. So, on that assumption one can more easily project and sympathize with another person or make self-evaluations, and actually be correct a good deal of the time. But each of us functions from a set of conceptual schemes, schemes which most of us are only vaguely aware. And these schemes are not identical to those through which others experience. Smith's analysis introduces the notion of moral imagination, but it cannot take into account how one sympathizes with others whose view of the world is not that of a Scottish gentleman, nor can it account for how it is we can reshape our own conceptual schemes.[12]

In this passage, Werhane introduces the problem of "difference" and frames it as a limit on the abilities of the moral imagination. She considers the possibility that moral conclusions supposedly based on sympathy among people who are identical may not be very sympathetic at all, but rather uncritical assumptions based on perceptions of sameness. Therefore, sympathetic intuitions resulting from an active moral imagination cannot be the only basis of community and civil agreement. For Werhane, sympathetic moral intuitions must be *domesticated* by some proxy for rationality before they can be of use in the process of social construction. It is precisely this domestication that I think Rorty is criticizing when he states: "I think of moral imagination not as a supplement to moral theory, and moral reasoning skills, but as pretty much all you need."

It is the search for moral minimums that separates Werhane from the pragmatists she cites. The moral minimums show up in many places within Werhane's chapter. One can find them in the tropes under consideration, e.g. such as the overlapping Venn Diagrams of Michael Walzer and the intersecting sets of interests (imaginary or real) representing John Rawls's reflexive equilibrium on the Cartesian plane. The moral minimums are necessary because Werhane is a "rights" theorist and, as such, is involved in a project that attempts to articulate the least that we should be able

to expect from each other regardless of cultural, racial, ethnic, national, sexual, or economic backgrounds. Hers is a moral theory of the lowest common denominator. In contrast, the pragmatist project is an attempt to articulate moral maximums.

Pragmatists want a society not based on the minimum that we can expect from the group but, instead, based on the maximum that we can expect from each other. For this kind of community to come into existence, our ideals would need to be somewhat idealistic. It is by having expectations that seek to maximize an individual's contribution that we embrace the kind of diversity that is so often enumerated in social theory, but still so neglected in social composition and so misrecognized in social interaction.

The problem that both Rorty and Werhane are left with is that moral imagination, while a useful bulwark against theories promoting pure or extreme rationalism or empiricism, may not provide the most useful foundation for a moral philosophy that seeks not only to provide for human survival but also to promote human flourishing. Rorty, unlike Werhane, has an entire corpus replete with contributions of the kind that I am promoting. Werhane, on the other hand, has done much to help us understand the modern philosophical categories but, unlike Rorty, she has not deconstructed them all the way down. In other words, she gives a very modern critique of modern philosophy. I think that this poses significant limits on her moral philosophy's ability to address contemporary social problems.

If, as Werhane suggests, the moral imagination is insufficient to the task of ethical and political reasoning – e.g. its "sympathetic" intuitions did not stop European imperialism – it is not because it needs to be domesticated by some form of rationality but because we need to start the ethical inquiry with a different conception of human thought. I think that the real problem for the procurement of progress is not whether there is an absence or surplus of moral imagination but something much more fundamental than that. *What* moral progress needs is thought of a particular kind. In other words, I want to move beyond or underneath the problematization of rationality in relation to imagination and toward a conception of thought that renders that relationship uninformative. To frame this up a bit, it is not a matter of "to imagine or not to imagine" but "to think or not to think." Further, and in contrast to most narratives of the history of modern philosophy, it is not about thought that can be characterized as either rational or empirical, but about thought that can be characterized as traditional or innovative. I believe that we need to theorize more about the conditions under which this kind of thought becomes possible.

Rorty's professional project has been to provide the intellectual basis for theorists to push beyond the shopworn conventions of modern traditionalism toward a reinvigoration of the grand philosophical tradition. Thus, inspired by his example, I want to change the frame of this conversation about moral progress from one of the legitimacy of modern philosophical categories and concepts in the service of moral progress, to a discourse concerning the critical role thought plays in the movements of the world and the vacillations of its citizens. To this end, I will divert the stream of philosophy under our consideration. The time has come to make a Continental excursion.

Foucault and the Three-Dimensions of Morality: From Enlightenment to Critique

> Kant. . .describes Enlightenment as the moment when humanity is going to put its own reason to use, without subjecting itself to authority; now, it is precisely at this moment that the critique is necessary, since its role is that of defining the conditions under which the use of reason is legitimate in order to determine what can be known, what must be done, and what may be hoped.[13]

French philosopher, Michel Foucault, expands on the notions and possibilities of moral progress by reinvigorating the modern critical tradition that has its genealogical roots in Immanuel Kant. This is most clearly exhibited in his chapter "What is Enlightenment?" which is a direct allusion to Kant's earlier work of the same title. I find Foucault's essay on Kant useful for the way it provides an alternate characterization of modernity, one that is particularly useful to me in my desire to change the conversation.

I have privileged Foucault's inquiry into the notion of Enlightenment because he is roughly our contemporary and, therefore, has the advantage of having the benefit of a couple of hundred years of social, cultural, political, and military history. Where Kant is trying to understand how something novel could change the way we experience the world, Foucault is trying to understand how something that was *supposed* to be new never really materialized. If Kant is asking "What difference does today make with respect to yesterday?" Foucault is asking "Why is today no different from yesterday?" Both theorists were seeking to understand progressive change, but from a different place of enunciation and with different hopes. Kant hoped that he could be the impetus of progress by exhorting the masses to move ahead. Foucault hoped that we could better reconcile our espoused ideals with our own histories. Kant's perspective was that of a philosopher or theologian, Foucault's was that of a historian.

The question "What is Enlightenment?" and the question "What is Moral Progress?" are two sides of the same coin. I will be suggesting that moral progress is served by the tension between two perspectives on Enlightenment: the "speculative" of Kant and the "historical" of Foucault.[14] The challenge of identifying and analyzing our own moral problems – of "problematizing" the present, to use Foucault's jargon – is simply our attempt to represent the overlapping portions of these two perspectives. So, in the mode of classic dialectics, I am claiming that when it comes to moral progress, the struggle is the thing. Critique, then, is the theoretical offspring of this process.[15]

In his interpretation of Kant's essay on Enlightenment, Foucault makes three insights into the relationship between social thought and morality: Enlightenment is an activity, enlightenment requires courage, and enlightenment is experimental. It is important to note that these insights could easily be attributed to Kant himself. I will be calling them Foucault's because it is through his work that these organizational tropes in Kant's text became clear to me. In the remainder of this section, then, I will describe each of these tropes in turn and then provide a larger reflection on the effect they have on the theory of moral progress expounded by Rorty.

Enlightenment is an Activity

> Thinking back on Kant's text, I wonder whether we might not think of the age of modernity as an attitude rather than as a period of history. And by "attitude," I mean a mode of relating to contemporary reality; a voluntary choice made by certain people; in the end, a way of thinking and feeling; a way, too, of acting and behaving that at one and the same time marks a relation of belonging and *presents itself as a task*. No doubt, a bit like what the Greeks called an ethos.[16]

In this passage, Foucault is trying to account not only for the energy that infused Enlightenment thinkers and their systematic forays but also the healthy self-doubt that many of them had toward their own thought (Kant was no exception). If it was David Hume that Kant credits for shaking him out of his dogmatic slumber, it was surely Kant whose literary bolt of lightning functioned to wake up a populace, a region, a nation, and an idea called the "West." When reading through his corpus, one can tell that Kant was dissatisfied with the philosophical tradition and with the general malaise that he perceived to be covering his cultural contemporaries. Unlike other philosophers, though, Kant had grown impatient with mere expression of dissatisfaction and, therefore, made his theoretical consideration of the notion of the Enlightenment a strong critique of its benefactors.

Consider the following passage from Kant's essay:

> Laziness and cowardice are the reasons why such a large proportion of men, even when nature has long emancipated them from alien guidance (naturaliter maiorennes), nevertheless gladly remain immature for life. For the same reasons, it is all too easy for others to set themselves up as their guardians. It is so convenient to be immature! If I have a book to have understanding in place of me, a spiritual adviser to have a conscience for me, a doctor to judge my diet for me, and so on, I need not make any efforts at all. I need not think, so long as I can pay; others will soon enough take the tiresome job over for me. . .. Thus it is difficult for each separate individual to work his way out of the immaturity which has become almost second nature to him. He has even grown fond of it and is really incapable for the time being of using his own understanding, because he was never allowed to make the attempt. Dogmas and formulas, those mechanical instruments for rational use (or rather misuse) of his natural endowments, are the ball and chain of his permanent immaturity. And if anyone did throw them off, he would still be uncertain about jumping over even the narrowest of trenches, for he would be unaccustomed to free movement of this kind. Thus only a few, by cultivating their own minds, have succeeded in freeing themselves from immaturity and in continuing boldly on their way.[17]

Here we find the modern philosopher in his most Socratic voice. Kant is clearly lamenting a lack of cultural leadership and political vision. He is also explaining how the new creature comforts available to the newly expanding middle class have had the effect of satisfying their simple daily needs by simultaneously snuffing out any desire for additional improvement in their notions of what it means to be human, and to express humanity. For Kant, and eventually Foucault, the problem with dissatisfaction is that, under certain material conditions, people can be convinced to live with it and even to prefer it. This is the peculiar problematic of business ethics, which is more about the success and the excesses of capitalism rather than its perceived failings.

Foucault interprets Kant's expression of dissatisfaction with his contemporaries as the Enlightenment attitude. The Enlightenment attitude is one where a person, in this case Kant, becomes dissatisfied with the mere *expression* of dissatisfaction concerning their political and cultural institutions. The dissatisfaction must manifest itself in some sort of action or attempt at action to be of virtue in this schema.[18] This is a reframing of the narrative of modern philosophy because it does not follow either the victory of Reason in the realm of culture or find comfort in an overly pessimistic description of the failure of modernity.

Kant is charting a middle path, one that sees the undeniable success of modern technology and free market economic institutions as *the* philosophical problem of the Enlightenment.[19] Foucault, in contrast, is trying to reconcile the espoused ideals of the Enlightenment with 200 years of European Imperial history, a history where he finds the Jewish Holocaust, the rise of totalitarianism around the world, Christian justifications for the continued enslavement and then lynching of blacks in America, violent homophobia, Hiroshima and nuclear proliferation, capital punishment and torture by democratic governments, African Apartheid, etc. . .Both philosophers see the Enlightenment as a problem but they "problematize" the Enlightenment differently. If one way to characterize the Enlightenment is as an attitude, scholars must not assume that the attitude expressed by different people in different places and at different times is the same. Further, as a motivation for critique, Foucault is not seeking an end to the dissatisfactions of modernity because he recognizes that it could be the wellspring of moral action if understood. In this way, he is like Kant in that he sees bourgeois satisfaction as the enemy of moral progress.

Enlightened Morality Needs Courage

> From the very first paragraph, [Kant] notes that man himself is responsible for his immature status. Thus, it has to be supposed that he will be able to escape from it only by a change that he himself will bring about in himself. . .What, then, is this instruction? Aude sapere: "dare to know," "have the courage, the audacity, to know." Thus, Enlightenment must be considered both as a process in which men participate collectively and as an act of courage to be accomplished personally. Men are at once elements and agents of a single process. They may be actors in the process to the extent that they participate in it; and the process occurs to the extent that men decide to be its voluntary actors.[20]

It is a truism to say that any age is defined by its exceptional women and men. For Kant and Foucault, though, part of what makes the person exceptional is some show of intellectual courage. Kant is reintroducing the heroic code to the West but in a new place. There is an interesting epistemological update here being executed by Kant and, subsequently, Foucault. In the first sentence of *The Metaphysics*, Aristotle proclaimed, "Man by nature desires to know." Kant and Foucault would edit Aristotle's basic formulation by adding one significant word: "*Some* men by nature desire to know." In fact, based on the swift anthropology Kant provides of his contemporaries, it is not even the average man that desires to know. It might not be an overstatement of his position to say that in modernity, the absence of thought, the ability to pay for

somebody else to think for you, had even become a symbol of an elevated status. On this description, then, it is easy to see why Kant would include the desire for knowledge as a heroic virtue (admittedly, some ancient Greeks may have found this characterization of heroism peculiar). Where knowledge is a virtue, there thought is an achievement.

Enlightened morality does not just need courage but specifically the "courage to know." In Kant, there is a direct relationship between knowledge and the kind of morality he would want, hence the connection between critique and moral progress. Critique is a dialectical expression of the struggle in the mind between the achievements of modernity and the attitude of countermodernity. To be clear, critique is not merely an attitude of simple irony, e.g. of taking the opposite position. Using the language of pragmatism, critique is an ironic attachment to the knowledge one has of his or her experiences and the traditions of knowledge he or she has received. Here, the irony is complex. Critique does not claim that reality is the opposite of experience but that there could be understandings of any experience other than the "accepted" knowledge the official promulgators would have you to believe. Moral progress begins, then, with a healthy but ironic attachment to conventional wisdom, and also the individual courage to explore other ways of making sense of the world.[21]

Enlightened Morality is Experimental

> Yet if we are not to settle for the affirmation or the empty dream of freedom, it seems to me that this historico-critical attitude must also be an experimental one. I mean that this work done on the limits of ourselves must, on the one hand, open up a realm of historical inquiry and, on the other, put itself to the test of reality, of contemporary reality, both to grasp the points where change is possible and desirable, and to determine the precise form this change should take. This means that the historical ontology of ourselves must turn away from all projects that claim to be global or radical.[22]

Enlightenment is not simply a method of doubt. For Foucault, those with the attitude of Enlightenment are as dissatisfied with doubt as they are with overconfidence. Following Kant, critique is not just about beliefs but also about how those beliefs are transformed into action. But, it is a particular kind of action that Kant and Foucault are seeking. *The action must be one of enlivening alternatives*. What I mean by this is that I take Kant's and Foucault's arguments concerning Enlightenment to be both theoretical and practical. The theoretical insight concerns the methods and means for revising our web of beliefs in order to incorporate novel ideas and understandings. Indeed, enlightened people have an insatiable appetite for novelty. But, Enlightened people must be the conduit by which these ideas become manifest in the world. Not because novelty is inherently good or progressive but because it is only by trying out and trying on new ideas that we can determine which ideas are worth keeping and which to toss away.

I want to augment Foucault's notion of this experimental attitude by saying that not only must new ideas be subjected to the crucible of experience but also

the ideas that are received or considered traditional and, therefore, assumed to be valuable. Every generation, indeed every person, must reassess received values.[23] Once again, Kant is frustrated by the lack of innovation in his society due to the blind adherence of his contemporaries to custom and tradition. One solution that Foucault provides is that we need to be more focused on the limits of our knowledge.

> The point, in brief, is to transform the critique conducted in the form of necessary limitations into a practical critique that takes the form of a possible crossing over. This entails an obvious consequence: that criticism is no longer going to be practiced in the search for formal structures with universal value but, rather, as a historical investigation into the events that have led us to constitute ourselves and to recognize ourselves as subjects of what we are doing, thinking, saying. This philosophical ethos may be characterized as a limit-attitude. We are not talking about a gesture of rejection. We have to move beyond the outside-inside alternative; we have to be at the frontiers. Criticism indeed consists of analyzing and reflecting upon limits. But if the Kantian question was that of knowing what limits knowledge must renounce exceeding, it seems to me that the critical question today must be turned back into a positive one: In what is given to us as universal, necessary, obligatory, what place is occupied by whatever is singular, contingent, and the product of arbitrary constraints?[24]

Foucault's suggestion is that we apply outward pressure on the limits of our knowledge by reexamining what it is that we think we already know and hold as foundational.

I want to return to my argument that moral progress needs a particular kind of thought. Now, with the help of Foucault, I can outline the characteristics of the kind of thought that I believe helps to bring about moral progress. *I will call critical those theories or philosophies that have the attributes of action, courage, and experimentalism*. It is critique that I think will provide, and has always provided, the material for constructive social thought even though its form is necessarily negative and, sometimes, destructive. But, morality needs social thought because ethics needs heroes.

Equipped with this understanding of Foucault, we can finally return to Rorty. Foucault's insights allow me to change the conversation concerning moral progress by changing its operative metaphor. For Rorty, moral progress can be represented graphically as an upward sloping curve on a two-dimensional Cartesian plane. For example, in Rorty's theory, Aristotle is at an intellectual disadvantage to Newton because he was unlucky enough to be born before Newton on the same temporal continuum. But, for Foucault, moral progress is not about the distance we have traveled along the same curve but about the size of our moral universe. Foucault's theory allows us to change the progressive trope from *distance* to *volume*. For Rorty, moral progress can be fully charted with (x, y) coordinates. Foucault introduces the z-coordinate. It is through the theoretical method of critique, with its attributes of action, courage, and experimentalism, which we enter into a global discourse, one that exerts pressure on the limits of what can be thought by de-centering and reevaluating what we think we already know. It is also through the process of decentering our knowledge that we learn how to incorporate novelty and, ultimately, difference.

Dispatches From The Frontier: Some Pedagogical Implications Of Critical Thought

Why do we need theories of moral progress? Theories of moral progress serve as one basis for political and cultural training that assists, many times accidentally, in the procurement of moral progress. Theorists of moral progress believe that progress cannot happen unless someone is thinking about change. For them, there is an inherent link between "what we think we can be" and "who we think we are." This thread can easily be detected by those who are familiar with the Western tradition that begins with Plato's *Republic* and Aristotle's *The Statesman*, through Herodotus' *Histories* and Augustine's *City of God*, to Machiavelli's *The Prince* and Rousseau's *Emile*, and also DuBois' *Souls of Black Folk* to Bloom's *The Closing of the American Mind*. While my list is not meant to be exhaustive it is illustrative of the simple fact that many of the canonical texts in our philosophical tradition are chiefly concerned with the proper training for leadership. Therefore, it is poignant that Rorty takes up the issue of training in his philosophical reflection on moral progress.

Rorty's Rebellion

Rorty is skeptical of the possibility that the current training in professional philosophy departments provides the kind of tools moral theorists need to create thoughtful and novel solutions for today's ethical problems.

> Anyone who holds the view of moral progress I have been offering will be dubious about the relevance of training in the academic discipline of philosophy is relevant to applied ethics. People with views like mine are inclined to see training in philosophy as no better or worse a preparation for work in business ethics, or in bio-medical ethics, than training in anthropology, or social psychology, or theology, or intellectual history, or comparative literature. For advanced study in *any* of these fields helps the student to envisage new possibilities.

Rorty has long worked to deconstruct the privileged position philosophy has had in Western intellectual tradition. One can go back three decades into his oeuvre and find important attacks not just on the peculiar rhetoric of Anglo-American analytic philosophy and also the unpenetrable rhetoric of the so-called Continental theorists, but also deep inquiries concerning the teleology and utility of the philosophic endeavor in general. It would be no overstatement to claim – as I do – that Rorty has contributed greatly to philosophical work that was successful with heralding in a general skepticism about professional philosophy both within the academy and throughout society. This has had the corresponding effect of alienating Anglo-American philosophers and philosophy departments from more mainstream social thought. Rorty anticipates this victory in the following statement from "Is Philosophy Relevant to Applied Ethics?"

> What would training in philosophy look like after a quietist victory? It is easy to imagine elementary logic being handed over to the rhetoric and communication department, and advanced logic to the mathematicians. Then all that would remain of the traditional four

> fields of philosophy would be the history of philosophy and moral philosophy. But these are the areas that are already least professionalized, and most thoroughly intertwined with other disciplines.

This is basically what has already happened. That does not mean that philosophy departments no longer exist in colleges and universities. But, anybody who has considered joining an Anglo-American analytic philosophy department within the last generation cannot help but be struck by the narrowness of the course offerings and the limitedness of what is considered an "authentic" philosophical inquiry. Though it may be somewhat clear which courses one must take to begin one's training in philosophy, it is not clear at all what sort of dissertation would constitute a contribution to the field. It is no wonder that philosophers are rarely called upon for an opinion by their colleagues within the university, and are never called upon for an opinion by mainstream cultural institutions outside of the academy. Indeed, Rorty's Rebellion holds the wreath of victory.

I personally find it exhausting, though, that Rorty still spends the time to kick the dead corpse of professional philosophy. Either he does not realize that he has had the victory – highly unlikely – or he realizes that his pet audience never tires of the effective ways that he belittles professional philosophers – highly likely. Whatever the reason, I think that he does himself a disservice by still thinking that professional philosophy is one of the ethical theorist's moral problems. The effect of Rorty's fixation on professional philosophy is that he makes a kind of category mistake by confusing the symptom with the cause.

Racism is a moral problem. Sexism is a moral problem. Imperialism is a moral problem. Cultural chauvinism is a moral problem. Homophobia is a moral problem. Religious radicalism is a moral problem. Totalitarianism is a moral problem. Poverty is a moral problem. *Professional philosophy is not a moral problem*. The problems that Rorty laments concerning professional philosophy are symptoms of the fact that racism, sexism, imperialism, etc. are operating and have operated stealthily within the Western intellectual tradition from its very start. The work of Foucault has helped me to learn this valuable lesson.

Historian Dipesh Chakrabarty has registered a similar complaint against Rorty:

> I register a fundamental disagreement with a position taken by Richard Rorty in an exchange with Jürgen Habermas. Rorty criticizes Habermas for the latter's conviction "that the story of modern philosophy is an important part of the story of the democratic societies' attempts at self-reassurance." Rorty's statement follows the practice of many Europeanists who speak of the histories of these "democratic societies" as if these were self-contained histories complete in themselves, as if the self-fashioning of the West was something that occurred only within its self-assigned geographical boundaries. At the very least, Rorty ignores the role the "colonial theater" (both internal and external) – where the theme of "freedom" as defined by modern political philosophy was constantly invoked in the aid of the ideas of "civilization," "progress," and latterly "development" – played in the process of engendering this "reassurance."[25]

Chakrabarty views Rorty's fundamental sin as one of omission, e.g. that Rorty has managed to miss the ways that modern philosophy provided the philosophical justifications and identity classifications that allowed European imperialism to advance

unimpeded.[26] For Chakrabarty, Rorty's fundamental sin is one he shares with most of his well-meaning colleagues in the philosophical academy. I am mostly in agreement with the point that modern political philosophers, as well as economists, social psychologists, and literary critics, are quite naïve about history in general and colonial history specifically, though I am less sure that Rorty is this group's icon and, therefore, critical target. However, one should expect some sort of overstatement of the counter-position now that the empire has had the chance to write back.

My critique of Rorty is not that he "intentionally" subverts colonial history but that he has failed to utilize colonial history in his effort to deconstruct modern philosophy. I think that Rorty has missed a grand opportunity to be a leader in postcolonial studies and postmodernism when it is fairly clear that these intellectual paradigms fit neatly within the spirit and letter of his general critique of modern philosophy. By focusing too much on the deconstruction of professional philosophy Rorty neglected to re-construct its pedagogy and curriculum along more ethical lines. Further, I believe that Rorty is philosophically outpaced by Foucault and the Continental critical philosophy and theory because unlike the latter Rorty does not have a philosophy of action. As a matter of fact, I believe that it is his philosophical "quietism" that leads him to be interpreted as politically and intellectually conservative.

It is my goal, then, to cede the victory of Rorty's rebellion against professional philosophy and to use this as a moment for turning the power of that critical gaze toward theorists across the humanities and social sciences. I want to do this by suggesting ways to make the larger moral constructs, e.g. racism and sexism, more opaque so that they can be recognized and addressed. It is time that moral philosophers begin to understand the processes though which their own work, and especially their work in ethics, potentially reinforces the pernicious stranglehold racism and other beliefs have on our moral imagination. In other words, the reason why the moral imagination is insufficient for moral progress is because it is as contaminated with cultural chauvinism as all the other contributors to the reasoning process.

Leadership and Limits

When it comes to the procurement of moral progress, theory and praxis find their nexus in human action that is the result of critical thought. Critical thought, remember, is thought that is active, courageous, and experimental. Now I want to address and make clear how Foucault supersedes Kant's understanding of critique and, as a result, provides the key to the portal connecting moral theory and practice in the service of progress. Remember that for Foucault the attitude of modernity is characterized as a stance we must have toward the limits of our knowledge: "This philosophical ethos may be characterized as a limit-attitude." But what does this actually mean?

Leaders need to be obsessed with limits so that they can learn how to extend those that need extending and also negotiate those that need respecting. At first glance, extending and respecting limits may seem like the same process, but there is an important difference between the two. Extending limits is about how we increase the volume of our moral universe, whereas respecting limits is about how we avoid making our extension a transgression. But, one way or another, we have to theorize ethical limits in ways that are not simply jurisprudential. Therefore, the limit-attitude is about how contemplation of the limits of knowledge and the contemplation at the limits of normalcy and acceptance assist with moral progress. The notion of a virtuous limit is similar to Salman Rushdie's "frontier" in the following passage:

> The frontier is a wake-up call. At the frontier we can't avoid the truth; the comforting layers of the quotidian, which insulates us against the world's harsher realities, are stripped away and, wide-eyed in the hard fluorescent light of the frontier's windowless halls, we see things as they really are. The frontier is the physical proof of the human races' divided self. . .[27]

In other words, there is something special about limits, borders, and frontiers that need to be mined for ethical reasons. And those that seek to transcend limits must find a way to live at the borders and face the frontier.

The pedagogical challenge for leadership training, then, is to create concrete practices that put humans into situations where they experience and then utilize this limit-attitude. All of us need to be decentered from time to time. This means that while it is often easy and desirous for us to remain within established identity-based enclaves, we grow ethically when we find ways to get ourselves outside of these comfort zones. I believe that the same mind-set that allows one to transcend intellectual situations is also a prime resource for one to find innovative practical solutions. *Leaders must be thinkers*.

Curriculum Considerations

There are three kinds of pedagogical activities that I think will cultivate a limit-attitude in our future and existing leaders: clinical analysis, literary analysis, and acting. All of these activities concern issues of character and, therefore, provide a strong intellectual platform for leadership development. While most programs in management and leadership capture and deploy the technical skills needed to perform a function in an organization, they fall flat where there needs to be value-driven decisions about when and where to deploy functional knowledge, let alone how to improve it. It is my belief that, if existing training programs were augmented by these more "existential" exercises, future managers would become better leaders.

By clinical analysis, I mean that the beginning of leadership studies should include a psychoanalytic evaluation with regularly scheduled follow-ups and check-ins. This is important because these visits to the clinician serve to make managers more thoughtful about themselves and the ways that they affect and are affected by their environment.

By being psychoanalyzed, potential leaders will have a clearer sense of their blind spots and places for perspectival improvement. Many programs give the Meyers-Brigg survey, but this is far too general a classification scheme to be of much long-term use; e.g. it is just a start. The depth that can be reached by a clinician is much more personalized and provides more specific information about the motivations, assumptions, and chauvinisms of managers.

It may seem curious to some readers that I would put the analysis of literature in the leadership curriculum, but poets and writers have always plumbed the depths of the human condition and their works have yielded important insights into the human psyche. The themes of hubris, evil, treachery, love, deception, and honor have motivated writers and dramatists throughout history, and there is no reason that we cannot learn from these important texts. Further, literary criticism as its own separate literature is important because it helps us to form good ideas about how to read and learn from the texts. Literature, then, should play as central a role in leadership training as it does in the liberal arts.

Finally, the actual act of acting creates in managers practical wisdom, whereby they will have the ability to lead in situations they have never encountered, because acting demands that one put oneself to the side and sincerely attempt to become someone else. Managers will be able to think through "difference", e.g. what it means to be somebody else in circumstances other than their own. And it is by thinking through difference that managers will come to understand diversity. Leaders value diversity for both ethical and strategic reasons because it is through diversity that leaders become ethically three-dimensional and also more innovative in their management practices.

Finally, there is a specific logic for teaching these techniques in the order I have given. I began this chapter with a consideration of the role of the moral imagination in Richard Rorty and Patricia Werhane. My conclusion at the end of the first section was that critical thought was more fundamental to moral development than the moral imagination. But, my position was slightly overstated in order to emphasize the role of critical thought as outlined by Kant and Foucault. The moral imagination becomes increasingly important only *after* critical thought has been inaugurated in the subject. My pedagogical sequence assumes this in its progression: psychoanalysis makes one's thoughts more critical, literary criticism activates the moral imagination, and drama enacts and embodies the ideas that result from the cultivation of the moral imagination through literature. In the end, it is the moral imagination that spans the distance between management and leadership. But, it is critical thought that activates the moral imagination.

Conclusion

There are many areas that we could choose to illustrate how business and society intellectuals can begin to redescribe business. We shall focus on two areas, namely, feminist theory and psychoanalytic theory, simply because we have some familiarity with them. We could have focused on religious thought, family therapy, mythology, or even an analysis of pop

> culture like video games and Madonna, and been perhaps fruitful. Both feminist theory and psychoanalysis pay special attention to the concept of "silence," what has not been said. If we can give voice to some silences, we can come to redescribe business in ways that may well be liberating, that enables us to live differently and better.[28]

In 1982, Edward Freeman provided the above reflections on the field of business ethics in what could be called that field's own version of Kant's exhortation towards Enlightenment. He called for a project essentially about the strategic value of diversity, characterized in this passage as "giving voice to some silences." Freeman also saw the value of psychoanalysis for business ethics. My underlying motivation for writings this chapter is to play the role for Freeman that Foucault played for Kant. I am not at all sure that Freeman's call for a diversity of thought in leadership training and applied ethics has been met. My impression from analyzing the class/racial/gender/sex/ethnicity identities of those at ethics conferences and in the ethics journals is that we have a long way to go.

I will conclude this chapter with one final thought about the moral imagination: *imagining what it would be like to be somebody else is no substitute for the inclusion of other people*. I began with an analysis of Richard Rorty's "Is Philosophy Relevant to Applied Ethics." His answer is mostly "no," or at least he believes that philosophy is no more relevant than all the other disciplines in the academy. I have asked the question differently and, as a result, chosen a different project. "How Is Philosophy Relevant to Applied Ethics" is my question and this chapter is its answer. Philosophy is relevant to applied ethics when it serves to create the conditions under which diverse populations are not just subjects but also citizens in our shared moral universe.

Notes

1. G.W.F. Hegel, *Faith and Knowledge* (Albany: SUNY University Press, 1977). In that text he makes the valuable distinction between speculative and reflexive philosophy. In his mind, reflexive – systematic – philosophy would end up being perfected within physics and mathematics departments. Speculative philosophy, then, was the only kind of philosophy that he believed would remain.
2. Patricia Werhane, "Moral Imagination and the Search for Ethical Decision Making in Management," *Business Ethics Quarterly* (Special Issue No. 1,1998), 76.
3. Ibid, 89.
4. Ibid, 92.
5. Mie Augier and James March, "The Pursuit of Relevance in Management Education." *California Management Review* Vol. 49, No. 3 (Spring 2007), 129–146.
6. Karl Marx, "Alienated Labor," in *Karl Marx: Selected Writings* ed. David McLellan (Oxford: Oxford University Press, 1977), 85–94.
7. Judith Butler, "What is Critique? An Essay on Foucault's Virtue," in *The Judith Butler Reader* ed. Sarah Salih (Malden: Blackwell, 2004), 308.
8. See Hannah Arendt, "Personal Responsibility under Dictatorship," and "Thinking and Moral Considerations," in *Responsibility and Judgment* ed. Jerome Kohn (New York: Random House, 2003), 17–48 and 159–189.
9. Mahzarin R. Banaji, Max H. Bazerman, Dolly Chugh, "How (Un) ethical Are You?" (Harvard Business Review Article #R0312D), December 01, 2003. http://harvardbusinessonline.hbsp.harvard.edu/

b01/en/common/item detail.jhtml; jsessionid=FXL4RSQNY5WWOAKRGWDR5VQBKE0YIISW?id=R0312D & referral=2342 (accessed 28 May 2008).

10. J. Hammond, R. Keeney, and H. Raiffa. "The Hidden Traps of Decision Making." *Harvard Business Review* **76**(5), (Sept.–Oct. 98), 47–48.
11. Patricia H. Werhane, "Moral Imagination and the Search for Ethical Decision-Making in Management," *Business Ethics Quarterly* (Special Issue No. 1), 82.
12. Werhane, 82.
13. Michel Foucault, "What is Enlightenment?" in *Essential Works of Foucault 1954–1984: Ethics, Subjectivity, and Truth* (New York: New Press, 1997), 303–304. I have also been deeply influenced by African-American philosopher Frank Kirkland's very insightful contribution to this critical genealogy, "Enslavement, Moral Suasion, and Struggles for Recognition: Fredrick Douglas's Answer to the Question – What is Enlightenment?" in *Fredrick Douglas: A Critical Reader* (Malden: Blackwell, 1999), 242–310.
14. Surely, there is a speculative dimension to historical understanding and also a historical basis for any speculation. But, for the purposes of this chapter, it will be sufficient to overstate the separation of these two outlooks if only to emphasize their relationship.
15. For more on the social benefits of critique, see David Couzens Hoy, *Critical Resistance: From Poststructuralism to Post-Critique* (Cambridge: MIT Press, 2004).
16. Foucault, 309–310. Emphasis mine.
17. Kant, Immanuel, "What is Enlightenment?" http://www.english.upenn.edu/∼mgamer/Etexts/kant.html (accessed 24 May 2008)
18. On the emancipatory function of criticism, see Judith Butler's "What is Critique? An Essay on Foucault's Virtue," in the *Judith Butler Reader*, ed. Sara Salih (Malden: Blackwell, 2004) and Fredrick Jameson's "Metacommentary" in *The Ideologies of Theory, Essays 1971–1986: Volume 1 Situations of Theory* (Minneapolis: University of Minnesota Press, 1988).
19. See Robert Pippin's *Modernism as a Philosophical Problem: On the Dissatisfactions of the European High Culture*, 2nd ed. (Malden: Blackwell, 1999).
20. Foucault, 306.
21. To be critical in this way does not guarantee that you will not make moral mistakes. But that is no reason not to forge ahead. For critiques of this position see Mark Lilla's *The Reckless Mind: Intellectuals and Politics* (New York: New York Review Books, 2001), and Richard Wolin's *The Seduction of Unreason: The Intellectual Romance With Fascism From Nietzsche to Postmodernism* (Princeton: Princeton University Press, 2004). The classic statement is Peter Sloterdijk's *Critique of Cynical Reason* (Minneapolis: University of Minnesota Press, 1987).
22. Foucault, 316. It is important to point out the "Global" here is a synonym for universal or absolute. This is not a critique of contemporary theories of globalization.
23. Consider T.S. Eliot on "tradition" versus "repetition" in "Tradition and the Individual Talent", http://www.bartleby.com/200/sw4.html (accessed 27 May 2008). "Yet if the only form of tradition, of handing down, consisted in following the ways of the immediate generation before us in a blind or timid adherence to its successes, 'tradition' should positively be discouraged. We have seen many such simple currents soon lost in the sand; and novelty is better than repetition. Tradition is a matter of much wider significance. It cannot be inherited, and if you want it you must obtain it by great labour."
24. Foucault, 315.
25. Dipesh Chakrabarty, "Postcoloniality and the Artifice of History" in *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton: Princeton University Press, 2000), 45. For the full text of Rorty's comments see his "Habermas and Lyotard on Postmodernity" in *Essays on Heidegger and Others: Philosophical Papers Volume 2* (Cambridge: Cambridge University Press, 1991).
26. For a clear statement on this position see Uday Singh Mehta, *Liberalism and Empire: A Study of Nineteenth-Century British Liberal Thought* (Chicago: University of Chicago Press, 1999).
27. Salman Rushdie, "Step Across This Line" in *Step Across This Line: Collected Non-Fiction 1992–2002* (New York: Modern Library, 2003), 353.
28. R. Edward Freeman and Daniel Gilbert, Jr., "Business, Ethics, and Society: A Critical Agenda," *Business and Society* **31**, (Spring 1992), 9–17 (p. 13).

Socratic Questions and Aristotelian Answers: A Virtue-Based Approach to Business Ethics

Edwin M. Hartman

Introduction[1]

A class in business ethics offers several benefits. One of its primary uses is to expose and question certain presuppositions that economists make. A second, often undertaken by business ethicists whose primary training has been in management-related disciplines, is to help students consider how organizational factors can support or undermine ethics. These are worthwhile undertakings, but they do not directly address the central questions of business ethics: How do we decide what businesspeople ought to do? What is right and what is wrong in business? My argument will be that an Aristotelian approach to business ethics shows how we can answer these questions.

The central questions are difficult, for ethical issues are notoriously controversial. Not only do we disagree about them; we disagree about how we might resolve our disagreements. Students who take courses in ethics discover that philosophers, who seem to think that they have some special knowledge to impart about ethics, have disagreed among themselves for at least two millennia. At the same time, somewhat paradoxically, nearly all of us have strong intuitions about ethical questions, and, on occasion, emotions to match. We argue, often coherently and sometimes convincingly, about matters of right and wrong.

One way to resolve this paradox would be to claim that ethical questions really do have right and wrong answers and that, in some cases, we simply have not discovered what they are. Then we would try to discover some principles of ethics that perform the same function as the principles of science, or perhaps logic or mathematics, and do it just as well. This would be a mistake. Ethics is not a science; still less is it a branch of mathematics. If we expect too much of it, we shall

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be disappointed, and our disappointment may lead to unfounded skepticism about the whole ethical enterprise. Even if we do not become nihilists, we shall probably lose some respect for the wisdom of those who have been our ethical teachers and exemplars.

Suppose, moreover, we could be perfectly certain of what ethics demands. We might still ask why we have reason to respond to these demands. Why is it reasonable – that is, reasonable from the point of view of self-interest – to be ethical? Some businesspeople say that this is not Sunday School, that they are out for number one, and so on. Others claim that ethics is good business – a means, they seem to be suggesting, to business success. Those who take ethics seriously find little comfort in the thought that the reason to be ethical is that it contributes to the bottom line.

Ethics is not science, and it is not mathematics. It does not justify the kind of confidence that we place in science and mathematics. It does not offer us algorithms like those familiar to mathematicians. It does not offer us principles that look at all like scientific laws. Talk of ethical principles and especially of their application in practice, which is often difficult, may lead us to expect more of courses in ethics than they can deliver, and to be disappointed with the courses and disillusioned about ethics.

Aristotle's ethical views, which put virtue and character rather than principles on center stage, do not lead to that sort of disappointment. Aristotle argues that ethics does not offer the level of certainty that we find elsewhere, and that it is a mistake to demand that level of certainty of a field that does not have it to offer (*Nicomachean Ethics* (NE), 1985, I, 3, 1094b12–14, 23–27). He does not raise the bar too high, or depict the study of ethics as an abstruse discipline available to only the few anointed ones – professors of moral philosophy, perhaps – who alone can clear the bar. He believes that ethics is available to us all, that correct views about ethics are generally compatible with common sense. In the end, however, he finds truly good character to be rare, in part because rationality is. We can make sound ethical judgments, and the wise among us do so regularly and with good reason. Aristotle does not suggest that we make sound judgments because we have found some foundational principles of ethics. Indeed we do not. What we have instead of foundational principles is a set of judgments and principles that are coherent and consistent with some pertinent facts. According to Aristotle, the study of ethics is continuous with the study of biology and psychology. And how do we know that we have any reason to be ethical? We know, says Aristotle, because ethics is the art of living well. There should be nothing surprising about that.[2]

Aristotle's views on these issues have resonance today and salutary effects for the most part. In particular, I shall argue, they engender less skepticism about ethics than do the views of Socrates and philosophers like him. If Aristotle is right, the untutored opinions that ordinary good people have about ethics are fairly close to the mark, on the whole. I shall discuss an Aristotelian approach to business ethics, but what I have to say is meant to teach broader lessons about ethics.

Corrupting the Youth

Most of us who have taught ethics or even discussed ethical issues in class have encountered sophomore relativism, with its familiar and annoying slogan: "Who's to say what's right or wrong?" Whether or not our students are true relativists – they do, after all, have a lively sense of their own entitlements – they are genuinely skeptical about our ability to make sound ethical judgments. Many sophomores may be skeptics because a year in college has led them to question the opinions and values that they have learned from their childhood mentors and monitors, especially their parents, and nothing solid has replaced the certainties that they have been taught.

Some students who enter college come from religious homes in which verities are passed on without much examination. The parents find, to their intense discomfort, that their children's time in college has undermined the verities and left a kind of amateur nihilism in their place. This creates tension in the family, and the faculty gets some of the blame. If professors respond by claiming that the unexamined life is not worth living, parents and other traditionalists are not mollified. They may decide that there is much to be said for sending one's children to a religious college.[3]

Some of these skeptical students begin to study business intensively in their third year. By that time they are quite ready to embrace the view that ethics, whatever else it may be, is not a major factor in business. A student who reads Friedman may infer that one can and even should be an egoist and let the Invisible Hand take care of the equitable production and distribution of goods, if equity matters. Acting in one's own best interests becomes more than a pleasure: it becomes a duty. Utility is a matter of getting what one wants. Desires are neither rational nor irrational; rationality is a matter of the efficiency with which a means leads to the satisfaction of some desire. People are egoists, utility maximizers; and if you are for some reason not an egoist, you had better act like one. Ethics, which is often called altruism, is inefficient and even irresponsible. (For disturbing evidence of the pervasiveness of this mode of thought and its devastating effect on students' morality, see Pfeffer, 2005). Here it is assumed, usually without argument or even explication, that any reason you have for doing something is based on self-interest. The few arguments that are ever offered for this view are not impressive. If a counterexample is proposed – Mother Teresa, for instance – the response is that Mother Teresa was actually motivated by the glow of pleasure she got from helping poor people. Quite apart from whether charitable people really experience this glow, the argument trivializes psychological egoism, gives it no empirical bite, for nothing could count as evidence against it. In practice, however, self-interest is typically construed as having to do with money. Agency theory is its embodiment in the management and business ethics literature. Scholars and practitioners assume, without much evidence, that agency theory describes the motivations of senior managers better than does stewardship theory. The claim has a self-fulfilling aspect, since it has led to practices like huge salaries for chief executives.[4] As Donaldson (2007) notes, the stewardship theory of

management, which takes managers to be motivated by factors like achievement and responsibility, deserves but does not get the sort of attention paid to agency theory.[5]

Do philosophers bear any responsibility for this state of affairs? Most philosophers would say no, but Donaldson (2007) suggests that they do. He charges them with propagating the notion that there are no right or wrong answers in ethics. Pressed on the point, he argues that even if the philosophers themselves believe that there are right or wrong answers and that they have the right ones, their confidence is misplaced, and that the inference that students draw from philosophers' failure to present them with certainties or even a solid consensus is a negative one: that traditional opinions and values are unsustainable and there is nothing solid to replace them. Philosophers may object to that, and to the second clause in particular, but they do not convince many students.

I know of no research showing that ethics courses undermine ethics, but we can see how it might happen. The Socratic Method, much favored by those who teach classes in philosophy and other disciplines, some in business schools, may be part of the problem. Let us consider the method by looking at its founder.

The Dubious Contributions of Socrates

On the most plausible reconstruction of a philosopher who left no written work behind, we can say a number of things about Socrates.[6] First, his conversations are about ethics and not about physics or metaphysics or epistemology. Ethics is about improving one's soul; the best reason for being ethical is that it makes one's soul better and makes one a happier person than otherwise. So Socrates undertakes conversations with friends and acquaintances because he aims to improve their souls and his. Second, the immediate purpose of most of his conversations is to define some virtue: piety, justice, etc. Being able to define each of these virtues is a necessary and sufficient condition of having the virtue in question. You cannot be courageous if you cannot give an unassailable definition of courage. In that sense the unexamined life is not worth living; in fact, the unsuccessfully examined life is not worth much either. This is in part because only a virtuous life can be a good life; so Socrates suggests, but he does not argue the point to any great degree, as Plato does. Third, Socrates' interlocutors always prove unable to define the virtue under discussion. Nor is Socrates himself able to define it: he can only destroy the definitions that others propose, and he regularly does so. Finally, Socrates' futile search for virtues suggests that most people who believe that they are virtuous are not.

Socrates was tried and found guilty of corrupting the youth and, in particular, of teaching them atheism. Defiant to the end, he claimed that the most appropriate "punishment" would be to give him free meals for life in thanks for his service to Athens. Instead he was executed. The super-patriotic plaintiffs were motivated in large part by political considerations – Socrates had expressed some questionable ideas about Athenian democracy and had some associates among its enemies – but under the prevailing amnesty he could not be tried for treason, and the charge of

corrupting the youth was probably a substitute. Still, there seems little doubt that he made powerful enemies by appearing to undermine the authority of the traditional values of Athens.

Aristophanes, the greatest of Greek comic poets, portrays Socrates in *The Clouds* as a sophist: that is, one who teaches students that there is no right or wrong. Sophists, who typically were paid for their services, taught their students how to argue for any conclusion that they liked. The Socrates of *The Clouds* helps one of his students "prove" that he has a duty to beat his father. The historical Socrates taught no such thing, but it would be reasonable to suppose that he did give some of his students the impression that there is no sound basis for traditional morality and no known way of demonstrating what is right or wrong.

What Socrates might have chosen to say was that traditional morality has stood us in good stead on the whole, and can continue to do so even as we suggest possible improvements. He said nothing of the kind. Perhaps he thought that Athenian traditions had led to a democracy that was little better than mob rule, thence to a brutal and unsustainable empire, thence to a bloody and ultimately futile war against Sparta. And in the end, of course, the Athenians killed Socrates. Why should a good person take the ethical judgments of this community seriously?

If Socrates encourages skepticism in his conversations, it is in large part because he raises the bar too high. Being able to create a definition of some item by finding what all instances of it have in common may not even be possible. As Wittgenstein argued and Aristotle suggested,[7] words can be meaningful and useful without definitions that are unitary in that way. More to the point, one can surely be pious or loving or courageous without knowing how to define the virtue in question. We might say, uncontroversially, that in certain difficult cases we make better judgments if we have some clue about the features that make an act brave or reckless or cowardly.

Socrates has a stronger view: that there really are true propositions that set out the necessary and sufficient conditions of certain virtues, and that not knowing these conditions is fatal to ethics, though one is a little better off if one knows, as Socrates does, that one is ignorant. Today, moral philosophers are more likely to say that there are no algorithms for discovering right or wrong answers, or even for applying ethical principles on which we can reach consensus. That sort of statement could contribute to corrupting the youth if it were coupled with the claim that the absence of such algorithms (or clear and unassailable definitions, as in Socrates' case) is fatal to ethics, both theoretical and practical. Most moral philosophers do not make that claim, but some students might draw the inference.

It is a daunting fact that students often learn something quite different from what professors try to teach them. Insofar as moral philosophers claim that ethics is primarily about principles, they may be setting their students up for disappointment and cynicism.[8] It does not take students long to realize that, even assuming that principles related to utility, justice, and rights are all pertinent to ethical assessment and decision, applying the sometimes competing insights of each sort of principle to complex situations in the real world is difficult and often inconclusive; in fact, it seldom settles a disputed case. If students believe that ethics ought to be sound in the

way logic or geometry is sound, then they might well infer that there is no fact of the matter in ethics. Making principles central to ethics does not have that implication, but it may leave that impression. Recognizing that principles by themselves do not suffice for ethical guidance and that ethics has something to do with character is a good antidote to cynicism, as I believe Aristotle shows.

Aristotle's Response

Aristotle's approach to ethics solves, or at least alleviates, these problems. In particular, it does not raise the bar too high, it does not rely unduly on principles, and it does not reject common opinions about ethics. Aristotle accomplishes all this in large part because he takes ethics to be primarily about character, which, following Kupperman (1991, p. 17), we may define as one's standard pattern of thought and action with respect to one's own and others' well-being and other important concerns and commitments. Character includes virtues and vices and entails certain values, and it involves certain emotions as well as actions. One's character defines the sort of person one is, and it includes some personality traits that are not of immediate ethical significance, such as sensitivity and humor. According to Aristotle, maintaining your character is tantamount to continuing your life (see *NE* IX, 4, 1066a13–29, b7–14).

Emphasizing the importance of character and virtue in this way need not, and in Aristotle's case does not, undermine principles. As generosity is a virtue, for example, one ought to act on the principle that one should happily lend money to needy friends even if they may not be able to pay it back. But principles are secondary, in the sense that we act on principles of generosity because we are generous, and not the other way around. If you are a generous person, your immediate thought in lending the money to a friend is not that one ought to be generous but that Jones needs help. A friend's need is a reason for action, from your point of view.

Virtue ethicists do not believe that we can find principles that will tell us how needy the friend should be, or how much money we ought to lend. Nor can we find any algorithms that show us how to prioritize competing principles. This is hardly surprising, readers of Wittgenstein would say.[9] If we did have meta-principles governing the application of principles, then we would need meta-meta-principles governing the application of meta-principles, and so on to infinity. In dealing with ethical issues we must satisfice much as in management; and as in the case of management, we cannot find the optimal way to satisfice.[10]

Contrary to what Socrates suggests, having a virtue is not primarily a matter of knowing something in the discursive sense of being able to produce a principle or the definition of a virtue, which typically implies a principle. To have a virtue is to have certain enduring desires that can serve as reasons to act because they have to do with our well-being and other important concerns and commitments. So a person of generous character acts generously, wants to do so, and thinks it good

to do so. If you are generous, you are and want to be the sort of person who is normally motivated by thoughts like this: "Jones needs help, so I'll help him." The next-best thing, though short of a truly generous character, is mere acceptance of one's obligation: "Jones needs help, so I suppose I ought to help him, so all right, here I go." To be a person of truly generous character entails having and wanting to have a settled disposition to help a friend in need and emotions to match. So having a virtue involves having what Frankfurt (1981) calls second-order desires. Some of our enduring desires, especially those concerning the sort of person we want to be, we call values. To have a character of significant strength is to have values that consistently guide one's actions.

Parents tell children not to lie, but many parents raise their children to be honest – that is, to be inclined not to lie, to feel some repugnance when lying even in circumstances that might justify it. Virtues involve attitudes. Consider gratitude: when you give me a generous gift, I should not only thank you but also be grateful. Aristotle claims that, while you cannot make yourself feel grateful on a particular occasion, you can in time become the sort of person who is grateful on appropriate occasions (see *NE*, I, 3, 1095a2–13).

The usual process of moral education is a gradual one, part of growing up in a good community.[11] In fact the needs of a good community help determine what counts as virtuous. Experience in that sort of community is the best teacher, and it requires the opinions of good people. One comes to apprehend courage by first being told as a child that this or that act is courageous, or not courageous but cowardly. Over a period of time one gets into the habit of acting courageously and comes to have a pretty good sense of what courage looks like. Then, through a process that Aristotle calls dialectic, which we shall discuss, one acquires a fuller understanding of courage and its contraries, cowardice and foolhardiness, and can reliably identify instances of them.

A virtue is more than a dispositional state.[12] A courageous person, for example, is indeed disposed to do what is appropriate given the risks involved. But rationality is involved as well, since the courageous person can distinguish courage from machismo, and knows why courage is a good thing and recklessness and cowardice are not. Acting courageously just by imitating courageous people will not suffice. To be truly courageous requires one to have a clear idea of what one's values are and to be concerned about the kind of person one is. All this demands a high level of rationality, though a courageous person is not required to give an unassailable definition of courage or to prove beyond any possible doubt that a certain act is courageous.

Virtue ethics therefore does not raise the bar as high as Socrates does, or as proponents of principles sometimes do. Aristotle claims, surely correctly, that ethics is not like geometry (*NE*, I, 7, 1098a29–34). It is more like navigation (*NE*, III, 3, 1112a5–7) or medicine or comedy (*NE*, IV, 8, 1028a23–34). There are rules, but they are not as well defined as those of geometry, and they are more difficult to apply to the real world. One has to develop a feeling for it. But that navigation and medicine are unlike geometry does not imply that they are unimportant or that there are no right or wrong answers to questions about navigation or medicine. Indeed,

there are few areas of knowledge in which wrong answers are more spectacularly exposed than in navigation and medicine.

Philosophers do often argue to no consensus over the details of ethical theory, but their disagreements do not undermine ethical behavior any more than those among organization theorists undermine management. No serious scholar would deny that there are right answers in organization theory. Many would say that the principles of management admit of exceptions and that they are not always easy to apply. Consider Donaldson's (2007) discussion of a familiar principle of management: a large, diversified company will do better with a divisional structure than with a functional one. But exactly how large and how diversified must a company be to justify the expense of reorganization into divisions? And what if a company has too few talented managers for a divisional structure? There are useful principles here, but there are also individual cases in which even the best scholars and the most successful managers will be unable to reach an agreement.

Experienced managers make these decisions well. Aristotle believes that wise and experienced people can make ethically good decisions even if they cannot give airtight reasons for what they do. Aristotle respects the opinions of experienced people.[13] Whereas Socrates and some other moral philosophers seem to demand a kind of philosophical expertise that not only does not depend on received wisdom but also undermines it, Aristotle holds that we should respectfully consider the opinions of people widely regarded as wise. In terms more familiar today, we should think of opinions about ethics as data that successful theories explain.[14]

There is something solidly realistic about Aristotle's approach. In general, he takes people as they are in a way in which Socrates does not and Kant, the greatest theorist of principle-based ethics, does not. He offers an account that explains human behavior. That Jones is courageous makes him praiseworthy, but it also explains why he rescued the child from the pit bull. Aristotle acknowledges that on his theory not many people are sterling characters, but he does believe that our nature supports and even shapes ethics more than it opposes it, that most of us have a pretty good idea what we ought to do, that ethics is not at all about radical selflessness, and that what is politically possible helps determine what is ethical.[15]

In the next three sections I want to look at three issues raised so far. The first is whether I have good reason to be ethical. Is ethics justified only if it is good business to be ethical? Or, as an agency theorist might say, only if ethics serves my personal interests? The second is how ethics takes account of our common opinions about right and wrong. My position on this issue, which owes much to Aristotle and Rawls, is that it is rational to accept a particular theory, whether a moral or a scientific one, in part on the basis of its scope and coherence. There is both moral and scientific knowledge available, and neither kind needs an unassailable foundation. The third issue is whether virtue ethics deals adequately with morally complex situations. I want to defend virtue ethics against the criticism that it tells us no more than "be courageous." Taught properly, virtue ethics heightens students' understanding of these situations and in that way improves their decisions. But it is not geometry.

First Issue: Character and Interests[16]

Utilitarian and other principles tell us what we ought to do, but they do not necessarily tell us why an agent is better off for being ethical. One good reason for being a contributor to society, as utilitarianism would have us be rather than a free rider, is that society in the aggregate fares better if all are contributors rather than free riders. But the best off are those who can arrange to be among a small number of free riders; so a selfish person might ignore utilitarian rules and ride free – not vote or cheat on taxes, for example – without destroying the benefits of others' good citizenship. There appears to be no self-interested reason for good citizenship. What is needed, therefore, is some way of ensuring compliance with utilitarian rules. But perhaps there is a deeper problem here: utilitarian theories do not typically specify what counts as self-interest, and do not offer us a good characterization of the good life that utilitarianism is supposed to promote. Aristotle does.

Aristotle holds that your character is a matter of what you enjoy doing (*NE*, II, 3, 1104b5ff.): good things if you are a good person, bad things if you are a bad one. Good character is a matter not only of doing the right thing but also of having the right desires and emotions (*NE*, X, 8, 1178a9–24, and elsewhere). If you do the right thing reluctantly, you are not really a person of good character, and virtuous action may not be in your best interests. You should be grateful for kindnesses, angry if and only if you are seriously wronged, sympathetic towards the wretched, glad to help your fellow citizens. The person of good character has an enjoyable life doing good things, unless misfortune intervenes. So emotions of the right sort support good character, as Frank (1988), Elster (1998), and many others have also argued.

Aristotle claims that for a good person virtuous behavior is self-interested behavior. He views ethics as being about the good life for the agent, which is a matter of living according to nature – humankind's communal nature – and so being happy and fulfilled. Since human beings are social creatures, the good life, hence good character, involves living satisfactorily in a congenial community. So your virtues cause you to benefit your family and friends and people in your community. There may be costs associated with virtue, but a virtuous person is better off on the whole for being inclined to do the honest or courageous thing. But can Aristotle give a convincing argument against those who claim to enjoy being successfully rapacious?

A reflective business student might ask why is it in my interest to be a person of good character rather than a rapacious person. Why can I expect to enjoy it more? On Aristotle's view, those are wrongheaded questions. We should instead ask this one: given that you want to serve your own interests, *what do you want your interests to be?* Do you want to be the sort of person who can enjoy only overwhelming financial success? Or the sort of person who enjoys a life in which work plays an important but not dominant role and in which that work offers challenge, variety, growth, association with interesting people, and compensation that lets you live comfortably?

The question is not which one business students prefer. It is a higher-order question about *which one they would choose to prefer* if they could choose their preferences. That question cannot be readily answered by reference to self-interest, since it is hard to see what would count as a straightforwardly self-interested answer to the question, "What do you want your interests to be?"

There is, however, a good answer to that question if, as is probable according to Belk (1985) and Kasser and Ryan (1996), cited in Haidt (2006), most students who give the second answer are happier in the end than those who give the first. Great wealth is hard to come by, and many who achieve it enjoy it less than they expected to. Many who have retired from a financially successful career say that if they had to do it over again they would spend more time with their families. They failed to do so, probably, because they were committed to a conception of the good life based on peer pressure rather than reflection.

What should students' reflection tell them about choosing a conception of the good life if it cannot be done just on the basis of self-interest? Surely a good life must be achievable and sustainable. Aristotle believes it should also have a certain wholeness, rather than being a series of unconnected experiences; this he suggests in saying that the continuation of character is the continuation of one's life. Happiness requires desires that are rational in the sense of being consistent with one another and with one's values, and actions that are consistent with one's desires (see *NE*, IX, 4, 1066b7–11). He is echoed by psychologists like Festinger (1957), Chaiken et al. (1996, p. 557), and Haidt (2006, p. 225f.).

Aristotle clearly does not regard rationality as just a matter of the efficiency with which a means leads to the satisfaction of some desire, as Hume and many mainstream economists hold. But surely there is something irrational about valuing (say) health while eating and drinking to excess, smoking, and avoiding exercise; and there must be something irrational about not valuing health at all. It is also irrational to have inconsistent values and desires, or to be unclear about what one's values are.[17]

Consistency of desires is not sufficient for good character or for happiness, but it goes some distance in the right direction. There are difficulties in prizing both idleness and personal achievement, or heavy drinking and fitness, or feeling free to offend and having many friends. But cannot you do well if you hide your hostility or rapacity? Aristotle says no: if you do it for strategic reasons, as when people are watching, you will be doing something that you do not enjoy (*NE*, IX, 4, 1066b7–14). In any case, like it or not, you are a communal being, and your happiness depends in part on your being a productive and congenial member of the community. Haidt (2006, pp. 92–4, 105, 113, 131) refers often to a flood of literature that suggests that personal and particular connections are essential to happiness. Desires that are at odds with this fact about us can create serious problems. So you do have good reason to be virtuous, and not merely to act sometimes as though you were. It is in your nature.

Most of us would recognize a greater variety of satisfying lives than does Aristotle. In fact, most of us think that the ability to choose what sort of life to lead is itself a good thing. At the same time, we respect the limits on that variety

that are implied by the requirements of our rational and social nature. As business students plan their lives, those who teach business ethics should encourage them to consider their strengths and limitations, their opportunities, and what they can and cannot learn to enjoy. Some of them will indeed turn out to enjoy a life of intense competition and high risk, but it is not appropriate to encourage them to assume ahead of time either that whatever they happen to want is possible or that they will enjoy it if they get it.

The essential matter, for both Socrates and Aristotle, is the state of one's own soul. The chief end of man[18] is to achieve psychic health, which is self-evidently a good thing. Or, if it is not self-evidently good, it is attractive to almost anyone, surely including most business students. From Aristotle's point of view, to say that there are no right or wrong answers is to say that there is no difference between happiness and unhappiness, or between a fulfilling life and a miserable one. That is truly absurd,[19] an affront to common sense. That is a major problem for Aristotle, who takes common sense very seriously.

Second Issue: Ordinary Opinions

Socrates has little respect for common opinions, or even those of distinguished citizens, about ethical issues. Plato goes further: real knowledge, he claims, is not about the world of space and time at all. What is truly real, the object of genuine knowledge, is the eternal Form. Certainty has a powerful grip on philosophers. Throughout modern western philosophy there have been thinkers who doubted that we could have knowledge of anything beyond the contents of our own minds, except perhaps mathematics. The challenge for epistemology was to show how we could infer defensible propositions about the world from our knowledge of the furniture of our minds, and it proved to be a formidable task, perhaps even a hopeless one. And if that was hard, it was harder still to find some basis for ethics – answers to the questions "What ought I to do?" and "What reason have I for doing what I ought to do?" Clearly these questions were beyond the reach of common opinion, even of science. Only philosophers could handle them.

Aristotle does not think this way. He does not demand ironclad certainty. He does not consider philosophy a discipline discontinuous with science or ethics. He does not worry unduly about our knowledge of the external world. His view seems to be that his first task is to start with common sense and make it coherent, whether we are talking about biology, psychology, or ethics. His conclusions – his views on form and matter, his definition of the soul, his conception of flourishing – are not humdrum, but he gets to them by starting with familiar and widely shared opinions and refining and explaining them. His notion of a person of good character sounds plausible to us, as it must have sounded to his contemporaries. He does not put forward radically new conceptions of courage, justice, or friendship. He does not in the least suggest that becoming a good person is a superhuman achievement, though it is not easy or even very common. The effect of the *Nicomachean Ethics* is not to undermine our ideas about ethics but to refine and rationalize them.

For those who want to contemplate ethics, Aristotle has a process called dialectic, which is emphatically not hostile to common opinions. On the contrary, it starts with them, with the intention of finding principles that are consistent with most of those opinions and explain them, or improve on them insofar as they can be shown to be inadequate in some way (see *NE*, VII, 1, 1145b4–8, for example).

In the best case, one's beginnings (*archai*) form a coherent whole. According to Aristotle, the *archai* with which we begin are particular moral judgments or intuitions. Aristotle unfortunately creates some confusion because the dialectical process leads to a principle that he also calls a beginning (see *NE* I, 4, 1095b6 and I, 7, 1098b2, for example). Aristotle seems to have in mind something like Rawls's (1971, pp. 48–51) reflective equilibrium. In that process one compares one's principles and one's considered judgments about particular cases. If they do not form a coherent whole, one must adjust one or both in an effort to create an internally consistent set of principles that are also consistent with most of our judgments on ethical cases. There are no unassailable propositions that serve as the foundation of all ethical knowledge.[20] Neither the principles nor the judgments are prior; each is subject to adjustment by reference to the other. In the case of wide reflective equilibrium, so called by Daniels (1979), we bring in pertinent science, settled beliefs about human nature, and other facts as background.[21] Wide reflective equilibrium seems close to Aristotle's views. According to Aristotle, at our moral best we have a set of background beliefs, intuitions, and principles that cohere, with emotions to match. Rawls has in mind logical rather than psychological coherence, whereas Aristotle seems to be thinking of both, although he does not sharply distinguish them.

One difference between Aristotelian dialectic and Rawlsian reflective equilibrium is that Aristotle is a virtue ethicist who focuses on the good life for the agent. On the side of principles, Aristotelian dialectic will include statements of value – definitive statements about what the agent considers part of a good life. If the argument of the previous section is sound, anyone will have good reason to be honest and courageous, for example. But if there is a range of possible good lives, then you and I might reasonably differ about the value of (say) generosity, or the desirability of the life of an investment banker as opposed to that of a professor. We are far less likely to differ about the value of honesty.

Aristotle does not claim that those who go through the process of dialectic will find principles that apply perfectly to complex situations. Ethics still is not geometry. But the principles that one does have will be clearer and more defensible, though possibly somewhat more complicated and not always easily applied. It is possible that certain of one's values – for example, values that shape one's view of appropriate gender roles – will have to give way. One will have better and more trustworthy intuitions for those situations in which principles compete or are hard to apply. If all goes well, one's intuitions will lead one to apprehend the situation under the right principle rather than on a principle that social pressure forces on one, or one that rationalizes one's preferred behavior. There is some evidence that the process can have good results. Haidt (2001, pp. 819, 829, 834) claims that those with philosophical training are more likely than others to reason through ethical problems, rather than rationalize, and act on the conclusions.

The process is not wholly unfamiliar. We all have ethical intuitions and we all have some principles that sound promising, and our discussions of ethically significant acts or situations often have the structure of reflective equilibrium. Consider, for example, the Ford Pinto case, in which Ford legally made and sold a very small car that often exploded when hit from behind, in part because the fuel tank hung just ahead of the back bumper. Many students will state the principle that it is morally wrong to put a price on human life, as Ford and/or NHTSA (National Highway Traffic Safety Administration) apparently did in determining how much it would be rational to spend on safety. Some will say that we must value human life above all else. They will also react with indignant condemnation of Ford when they hear a description of what happens when a Pinto is hit from behind. A successful discussion of the case will raise problems about both the students' principle of the value of life and their judgment on Ford. The principle is plausible, but in fact we do regularly, though often implicitly, put a price on a human life when we decide how safe to make a product whose use might have fatal consequences. If that is necessary, then we have good reason to reject the plausible principle. As for the intuitive condemnation of Ford, who has actually put the price on a life? If I pay more to buy a Volvo, am I not setting the price on my head higher than if I buy a very small car? One of the discoveries that students should make in such a discussion is that there are many different ways in which a situation may be described. The passage of a certain law on auto safety can be framed, from a utilitarian point of view, as saving lives. From the point of view of rights, however, it can be framed as an unwarranted diminution of our autonomy in making important decisions about our lives. In a characteristically dialectical conversation, we bring utility-based and rights-based principles to bear, and we seek a way to make them fit together and fit our intuitions – possibly after some adjustment – as well. We never get to the end of the process, but we become better at understanding and describing situations correctly, and therefore at making better judgments. In particular, our ethical perception improves.

Third Issue: Perceiving Correctly

Aristotle claims that the person of good character perceives a situation rightly – that is, notices and takes appropriate account of the salient features of a situation. As you perceive that a particular figure is a triangle, so you perceive that a particular act is (say) a betrayal of trust.[22] According to Aristotle, perception involves imagination (*phantasia*): the faculty of imagination enables you to understand what a perceived object is, or grasp the ethical quality of an act. You are morally responsible for understanding the act correctly – that is, for framing it right. To get it wrong – that is, to fail to apprehend the ethically salient features of the situation – is a sign of a bad character (*NE* III, 5, 1114a32–b3). A person of good character will perceive that a certain act is courageous rather than foolhardy, generous rather than vainglorious, right rather than wrong, and will act accordingly. An irascible or phlegmatic person will take offense, or not, inappropriately. Weakness of the will, Aristotle

suggests, is sometimes the result of wrong framing (*NE* VII, 3, 1147a32–b6). *Moral imagination* is the name we now give to the ability to frame ethically significant states and events (see Werhane, 1999, for example).

Tversky and Kahneman (1981 and elsewhere) show how important framing is.[23] One of their experiments shows that people judge and respond differently to a certain state of affairs as accurately described in different ways: whether they are told that 20% will survive some action or that 80% will die as a result of it makes a great difference as to whether they would choose the action. This indicates a certain irrationality; in particular, it suggests that people may make judgments and take actions in large part on the basis of how they describe a complex situation to themselves. You can frame eating a doughnut as a pleasurable experience or a fattening act, as it is both; but a person concerned with health should take the second way of framing rather than the first as salient. A good accountant will frame the Enron-related tricks as misrepresenting the financial position of the firm rather than as good client service. Those who teach business ethics face the task of teaching students to do a better job of ethical framing.

A typical business course will not likely address this problem, for it does not usually put an ethical frame around the problems and issues that it covers. Insofar as a business ethics course merely helps students become more fluent in the language of right and wrong, it enriches their moral imagination and increases the probability that they will give salient descriptions of morally significant situations.[24]

Your environment will influence the way you frame a situation: you will likely do it as others do it, as is the custom in your profession, as the client wishes, etc. Consider the Milgram (1974) experiment, in which experimental subjects willingly administered what they believed to be painful shocks to innocent people who had given wrong answers. One way to interpret the outcome is to say that most of the participants did not see themselves as causing pain to an innocent subject but instead as following directions and helping Dr. Milgram in his important work. Your ego will be influential as well: you are likely to describe your failure to confront the boss as a piece of thoughtful diplomacy, whereas others will see it as self-serving and cowardly. Your interests will influence the framing as well: you tend to argue for the moral rightness of actions that favor you, and to describe those actions accordingly. This is a form of rationalization, in which one begins with a conclusion and then attends to the features of the situation that support one's conclusion – the opposite of the way in which Aristotle claimed that ethical reasoning should go. No doubt this sort of thinking afflicted the Arthur Andersen accountants working for Enron.

One of the worst kinds of perceptual mistake is overvaluing good results because they are nearer to hand. Mischel (see Shoda et al., 1990, cited in Haidt, 2006, p. 17f.) discovered that small children who were able to postpone gratification by forgoing an immediate treat and getting two treats a little later were more likely to grow up to be successful adults in many respects. In a case like this, one wants to do action A but has an overriding, longer-range, more inclusive, more rational desire for action B, which is incompatible with A but more desirable. One might even want A but not want to want it, as in the case of an addiction: one wants to smoke but wishes one did not.

The ability to frame correctly, a significant component of good character according to Aristotle, is threatened from many sides. We have evidence that young children are able to frame and act accordingly, or not. We have evidence that people frame as those around them frame. And now the question is: how can we help our students improve their framing? At the very least we ought to be able to show them that there are alternative ways of framing situations. That is a start, but we want to avoid giving the impression that one way is as good as another.

It will be helpful to teach business students about social psychology. Those who teach business ethics talk about organizational culture, for example, out of the conviction that as employees, the students will be able to respond to it by recognizing it and taking its possible effects into account. Former students who have learned about the Milgram experiment in a business ethics course testify that they do sometimes think of it when they are in similar situations, and act accordingly. Beaman et al. (1978) show that people can be inoculated against crowd-induced culpable indifference by being taught to recognize the crowd's influence and to act appropriately despite it (see Slater, 2004, p. 109f.).

Corporate culture in the usual sense is not the only threat to virtuous action that business students should know about. One of the most serious threats is the looming prospect of failure. There would have been no WorldCom scandal if that company had not found itself faced with growth objectives that were unattainable but had to be met or the stock price would tank. It was wrong and irrational for management to falsify its profits, but there would have been no particular temptation to do that if the company had not found itself heading towards the edge of a cliff. If senior managers had had the opportunity to plan for that situation, they might not have decided to pursue a course of action that was bound to end in catastrophe.[25] Contingency planning, especially in a high-risk environment, is part of good management. This suggests, what is not at all surprising, that a well-managed company, like a well-governed community, provides an environment more supportive of ethics, other things being equal.

It is best to think about problems of this sort well in advance. If managers are aware, as Aristotle was, of how easily stray desires and emotions and social pressure can divert us from our most rational intentions, they should try to avoid getting into those situations in which they are vulnerable. This is "self-management," which Elster (1984, 1985) has acutely discussed. Finding ways of protecting the company from the kind of bad behavior that emergencies encourage is a corporate form of self-management. Graduate school is not too soon for thinking this way, and a business ethics class is a good place to consider how foreseeable but unforeseen emergencies may sway those whose character is vulnerable – that is, most people.[26]

These are issues about character. What Aristotle means by character encompasses not only principles and values but also the readiness to act on them and the ability to see how to do so in a particular situation, however complex or difficult it may be. Some people sincerely espouse a certain value – say, the importance of courage – but do not act on it because they do not recognize that speaking one's mind in this situation is what courage requires. They are sincere, but they are not courageous. An organization can do that to those who live there. On the basis of a number of

studies of the impact of corporate culture, Chen et al. (1997) reach the important conclusion that ethical behavior depends on the employee's ability to recognize ethical issues – to frame certain situations correctly from an ethical point of view – and that this ability appears to be a function of corporate culture more than of individual employees' attributes.

How, then, does a person of good character make a decision in a complex situation? It will not suffice to tell yourself to be brave or honest or just, but it is true that the kind of person you are will have as much to do with the decision as will your reasoning about it. Dialectic has a role here, but it is not primarily to facilitate specific decisions. It is to give you somewhat sharper, though still not perfectly sharp, principles and intuitions. Under the influence of dialectic your reasoning about specific issues will be better, because you are better at noticing and evaluating aspects of the situation that people of less character do not handle so well. You will justify your decisions by appeal to whether their consequences are favorable, whether the decision process is fair, and whether anyone's rights are being violated. Almost anyone can do that, but with dialectic you will do it better because you will be better at identifying the aspects of the situation that are most important.

One might object that being good at dialectic will not protect people from bad cultures or keep them from rationalizing. But Haidt's (2001, pp. 819, 829, 834) argument, noted earlier, suggests otherwise. No doubt dialectic is best done before the crisis arises, if possible, but it appears that what one decides in a cool moment will influence what one does when the moment is warmer.

In part because one cannot accurately calculate with all the variables in mind, in part to avoid rationalization, a person of good character will often satisfice by sticking with certain nearly unexceptionable rules, such as, "We don't lie to our employees. Period." In some cases the decision will have to be an intuitive one. You may say, "We're just not that kind of company," or "That's something I'm just not prepared to do." Whether anyone finds that sort of account (or non-account) convincing will depend in part on your credibility. We believe the Jim Burkes of the world when they say that they are doing something because they care about the welfare of their customers. We do not believe the Ken Lays.

Ethics and Strategy: The Value of Stories

Teaching case studies helps students learn to see business issues as moral issues and to grasp their salient features. The case study method suits business ethics as it suits strategy. In a typical strategy course, the students read a text and then consider case studies that challenge them to apply the principles in the text to a real situation. This is the beginning of the process of developing their intuitions about strategy. In real-life corporate strategy there is much to be said for trusting the intuitions of an intelligent person with a good track record. When a manager makes decisions about the strategies to be undertaken by certain strategic business units, there will be some easy cases but also some less obvious cases, as when a group of weak SBU

(Strategic Business Units) can together achieve economies of scale or use slack resources. There the experienced and wise manager must make a largely intuitive decision – that is, must satisfice. Some managers are consistently better than others at framing these situations appropriately. So, for example, one might see a business as low-profit or high-cash flow; and the strategic situation may determine which description is salient. Successful strategists often cannot say in any detail how they favor one frame over another. Their track record is evidence of their ability to frame situations correctly.

Using case studies in ethics gives students experience that supports the development of their moral imagination. Complex case studies exercise their moral judgment about particulars, as when justice and economic efficiency conflict. In looking at a case and considering the many ways in which one can frame a situation and which ways of framing capture its salient features, students are developing moral imagination and thus practical wisdom and thus good character.

Can students also gain in critical understanding of their actual and possible values? At the very least they can reflect on what is most important to them and how to protect it. Reading fiction is a way to do this; in fact, Rorty (2006 and elsewhere) argues that literature is better for this purpose than is philosophy. Sometimes nonfiction will do equally well. Michael Lewis's *Liar's Poker* (1989), for example, can help students to reflect on their values. Does Dash Riprock lead a good life? Would you like to be addicted to dealing? Is the Human Piranha's approval a good thing? Why? Is selling equities in Dallas inappropriate for anyone with any self-respect? Is there any reason to be contemptuous of people who actually enjoy that kind of life? Does Salomon Brothers of that era resemble the Milgram experiment? Knowing about Salomon or Milgram may enable one later to stop and reflect, and to undertake moral reasoning rather than rationalization. There is some encouraging evidence about the possibility of doing that (see Beaman et al., 1978).

If students learn from reading *Liar's Poker*, or by some other means, how a strong organizational culture can affect one's character, then they will know that the choice of an employer is a most important one. Having been in a certain organization for a while, I may like being the sort of person who enjoys acting ruthlessly, or perhaps the sort of person who takes satisfaction in maintaining a professional attitude. If Aristotle is right, by acting ruthlessly or professionally I can become a ruthless person or a real pro. For some of our students, choosing an employer will in effect be choosing which desires to cultivate, hence to some degree choosing a character. A measure of self-knowledge, a component of good character, will lead you to protect your values by choosing congenial environments, including careers and workplaces, because character is vulnerable, as Milgram and others have shown. This requires some careful and acute thought. You must be able to assess a corporate culture, to foresee the consequences of a risk gone bad, to understand the opportunities for chicanery that some professional relationships will present, and to be prepared to avoid if possible and resist if necessary the pressures to do the wrong thing.

To teach students this lesson is to help them understand the importance of making an employment choice thoughtfully. Perhaps it is also possible to inoculate them

against unconsciously taking on the values of just any corporate culture. At best they might consider the advantages of the values associated with good character.

Conclusion

Those who teach business ethics can avoid undermining students' good values and leaving cynicism or relativism in their place. The correct lesson is that becoming ethical is not a matter of discovering arcane principles that ground our decisions in certainly, for ethics is neither arcane nor certain. Being ethical is primarily a matter of being a person of good character, with virtues, emotions, values, and practical intelligence to match. The ethical values that experience teaches us are at least the beginning of wisdom about ethics. Ethical progress is a matter of refining and adjusting these values, learning to bring them to bear in making decisions, and protecting them from hostile environments.

Notes

1. A previous version of this chapter was presented at the 14th International Symposium on Ethics, Business and Society: "Towards a Comprehensive Integration of Ethics Into Management: Problems and Prospects" held by the IESE Business School, University of Navarra, Spain, May 18–19, 2006 and subsequently published in the *Journal of Business Ethics* (2008) **78**: 313–328; used with permission. This chapter includes some material from Hartman (2006). Thanks for useful suggestions to Professor Domènec Melé and two anonymous reviewers. This work was supported in part by the Prudential Business Ethics Center at Rutgers.
2. Throughout his *Physics* and *Metaphysics* Aristotle speaks of substances, including human beings as having form and matter. The central argument of *De Anima*, Aristotle's great work on psychology, is that the soul is an instance of form, the body an instance of matter. His science is teleological: he holds that substances move naturally towards their end, a state that is in some way good for them. That end-state for a human being, the best state, essentially involves rationality, of which humans alone are capable. Throughout the *Nicomachean Ethics* Aristotle calls the end-state *eudaimonia*, which is usually translated "happiness" or, more accurately, "flourishing." It is a state of good character. As Aristotle considers this state definitive of human beings, he does not want to claim that it is beyond the reach of mere mortals.
3. In my experience and that of college administrators with whom I have discussed these issues over many years, this problem is especially common among students who attend state universities and whose parents are not college graduates.
4. Not only agency theory but most of social contract theory, collective action theory, most versions of the stakeholder approach, and all talk of business and government as devices for achieving mutual advantage seem to presuppose that people are motivated by self-interest of a narrow and simple kind. If this is true, then business ethics is best promoted through incentives designed to ensure compliance. I do not believe that it is true. (My thanks here to Christopher Michaelson, whose work in progress on this issue I have found most helpful.)
5. Some philosophers sympathetic to business (for example, Velasquez, 2002) claim that ethics is about utility, justice, and rights and then go on to argue that free markets are ethical. They provide utility – a lot of it, since they are optimally productive. They provide justice in the sense that one reaps as one sows. They protect rights in the sense that one's transactions are limited only by one's resources. But clearly these claims presuppose certain views – typically capitalist views, in

fact – of the nature of utility, justice, and rights. What, a socialist might ask, is the basis for those views?

6. The testimony of Aristotle in his *Metaphysics* I (1924) and certain linguistic features of the texts permit us to identify some dialogues as representing Socrates' views rather than those of Plato. These include *Euthyphro, Lysis, Protagoras*, and several others. (See Plato, 1903.)
7. Wittgenstein (1953, 31f.). For a discussion of Aristotle's views on this subject, see Owen (1967).
8. Some instructors begin by teaching their students several ethical theories and then ask them, on exams or in class, questions like this: In this situation, what would you do if you were a utilitarian? A justice theorist? A rights theorist? That really is a disaster. (See Derry and Green, 1989.)
9. Wittgenstein (1953, pp. 67–77).
10. So Winter (1971) argued persuasively, using an infinite regress argument.
11. Aristotle argues that one's character is formed by one's community but that one is nonetheless responsible for one's character. Though Aristotle is not a strict causal determinist in the modern sense, it is clear that he would not accept that determinism lets the agent off the ethical hook, as Donaldson (2007) seems to think it does. A determinist can hope that a good course in ethics will be one of the causal factors affecting an agent's behavior.
12. As Alzola (2007) and others have noted, organization theorists sometimes construe mental states or events as dispositions. For a number of reasons that we cannot explore here, that is not a good idea. In any case, it does not make individual statements about mental states and events verifiable or falsifiable; nothing can do that, and it need not be done. To try to operationalize or to give a dispositional analysis of any state or event that characteristically involves rationality is an especially bad idea.
13. See, for example, his discussion of weakness of the will in *Nicomachean Ethics*, Book VII.
14. One might respond to criticisms of philosophers (Donaldson, 2007) by asking, ironically, who should address questions of right or wrong if not philosophers. Organization theorists, perhaps? To which Rorty (2006) would reply, yes, and psychologists and literary critics and many others. It is an interdisciplinary task.
15. Aristotle today would no doubt extend the point to organizations. What counts as a virtuous employee is determined in part by the requirements of the organization, if it is a good organization. If so, then business ethicists ought to be aware of what organization theorists say about the structural and other characteristics of good organizations.
16. For a more detailed account of what follows see Hartman (2006).
17. To understate, the nature of rationality is a matter of controversy. Rationality has a normative aspect, and differences in definition reflect different views of how we should think.
18. These words, from the beginning of the Shorter Westminster Catechism, are consistent with the unfortunate view of Aristotle, though perhaps not of Socrates, that women are morally inferior to men.
19. It is not absurd, however, to allow that two people of good character might sometimes make different decisions because they have slightly different values. You might believe that justice requires blowing the whistle in a certain case, while I believe that loyalty requires finding some other way to deal with the problem. It may be a matter of what you can live with and I cannot. The difference does not imply that one of us is wrong. But blowing the whistle out of sheer vindictiveness and not blowing the whistle out of sheer cowardice are both wrong.
20. The same is true in epistemology; most philosophers would now say, but they would not infer that skepticism is the right position.
21. See M. Calkins (unpublished) for an application to wide equilibrium to virtue ethics.
22. But remember that geometric accuracy is not possible in ethics.
23. N. Gold (unpublished) includes an acute discussion of this point, and of framing in general.
24. One could write a further chapter and much more on the subject of how language frames the world. In writing such an chapter, one would probably discuss the way in which even the simplest reports of our experience are "theory-laden."
25. Darley (1996) provides evidence that people in a corporate setting may undertake an activity – a cover-up, for example – that will eventually unravel and leave the situation worse than it would have been.

26. Harman (2003) and Doris (2002) argue that most people are so vulnerable that there is no point in taking character seriously. For an opposing view, see Alzola (2007). The question whether factors internal or external to the agent are the real determinants of behavior is an old one. Posed that way, it invites oversimplification. The controversy is a version of the argument about free will vs. determinism. The best answer is this: it depends on the agent. Some people are better at rational self-management than others, and in that sense (the only sense worth worrying about, *pace* Donaldson, 2007) they have more free will. One person rescues the child from the pit bull; another does not, and afterwards wishes that he had. Courage and its lack explain these actions, and it is the courageous person who acts more autonomously.

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Inspirational Leadership in Business and Other Domains

Brian Leavy

> *Thank you Enron and Arthur Andersen. The depth of your misconduct shocked the world and awakened us to the reality that the business world was on the wrong track, worshipping the wrong idols, and headed for self-destruction . . . . We needed this shock therapy to realize that something is sorely missing in many of our corporations. What is missing? In a word, leadership.*
>
> *– Bill George (2003: 1), former CEO of Medtronics.*

Generation after generation, particularly in times of crisis, people cry out for leadership and wonder where have all our great leaders gone? People and institutions that we once admired, like Kenneth Lay of Enron or Dennis Kozlowski of Tyco (or the several senior Irish banking figures of the 1990s with belatedly acknowledged "tax issues"), end up letting us down. How do we get them so wrong? Leadership remains an intriguing but elusive phenomenon.

What then is the essence of great leadership? Is it the "vision thing", as George Bush Sr., once ruefully described it, knowing that this was not his forte, or is it "charisma", the gift that Lyndon Johnson envied in John F. Kennedy, yet which always seemed to elude him personally.

It seems that every time a new theory emerges that attempts to explain great leadership in terms of some defining personal trait or style, we can too readily think of successful executives who do not fit the prescription. For example, few experienced managers would disagree that Jack Welch, CEO of General Electric from 1981 to 2001, was one of the outstanding business leaders of his generation. Yet, Welch would hardly be seen by many as a prime exemplar of either of the two most recent candidates for the defining attribute, "emotional intelligence", which Daniel Goleman (2004: 82) argues is the "sine qua non" of great leadership, or the tough-minded humility, which Jim Collins (2001) believes is the defining "level-5" leadership quality associated with transforming a company from "good to great". While concepts like these are valuable additions to the leadership literature, they

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fall well short of providing full insight into the essence of outstanding leadership, particularly at the institutional level.

One of the difficulties in trying to distill the essence of great leadership down to personal attributes is that one of the most striking things about great leaders is their diversity. In the business world, for example, Bill Gates of Microsoft is very different in personality, background and style from Richard Branson, who is very different again from Jack Welch of General Electric or Jeff Bezos of Amazon. Turning to the military domain, a quick reflection on the top leaders in the Allied army during World War II – Marshall, Eisenhower, Bradley and Patton – would seem to confirm this point, and this is even before we add in the enigmatic "Monty". Going back a little further in time, it seems that no two men could have been more different in personality and style than the two great protagonists who faced each other at Waterloo. As Victor Hugo described them:

> On the one side, precision, foresight, geometry, prudence, all assured retreat, reserves spaced with obstinate coolness, an impenetrable method, strategy which takes advantage of the ground, tactics which preserve the equilibrium of battalions, carnage executed according to rule, war regulated, watch in hand, nothing left voluntarily to chance, the ancient classic courage, absolute regularity; on the other, intuition, divination, military strangeness, superhuman instinct, a flaming glance, an indescribable something that gazes like an eagle and strikes like lightening, a prodigious act in disdainful impetuosity, all the mysteries of a profound soul, association with destiny. (quoted in Strawson 1994: 229–30).

In the world of business organizations, theories of leadership effectiveness based on generic personal attributes and styles tend to work reasonably well when explaining team dynamics at the middle management level. However, they provide less insight into the process of institutional or strategic leadership, where whole organizational populations have to be inspired by leaders with little opportunity for direct personal interaction with most of their followers. It is at this level that the distinction that political scientist James McGregor Burns (1978) made between *transactional* and *transforming* (or inspirational) leadership becomes particularly meaningful. Transactional leadership is the most common type in organizational life. It operates through direct exchanges between leader and follower, and the skills required to be an effective transactional leader are relatively generic in nature (team building skills, interpersonal skills, political skills etc.), and fairly widely distributed throughout the general population. Transforming leadership is rare. Where transactional leadership is essentially a bargain, materially and psychologically, in which the bargainers may "have no enduring purpose that holds them together", beyond meeting each others' contingent needs, in transforming leadership, leaders and followers engage in such a way as to "raise one another to higher levels of motivation and morality", having a "transforming effect" on them both (p. 20). Transforming leadership taps into the deeply held values of leader and follower alike and helps to infuse whole organizations with a level of commitment and depth of purpose that goes well beyond the economic and material.

Nearly two decades of research have led me to the view that inspirational leadership at the institutional level can be more fully understood, not just in terms of leadership persona, but as a dynamic process with three main elements – the context for leadership, the conviction of the leader and the flow of credibility over time

and tenure (Leavy 1992, 1996, 2003; Leavy and Wilson 1994). It is a view that looks at leadership as something akin to a performing art, with context scripting the performance, personal values and convictions energizing and propelling it and credibility with the "audience" sustaining it.

Context – Setting the Scene, Outlining the Role, Defining the Opportunity

Leadership impact at the institutional level is always shaped by context. Great leaders do make history, but not always in circumstances of their own choosing (to paraphrase Karl Marx). Studying leadership as a dynamic process in context is a tradition that is much more firmly established in the fields of history and public policy than it is in the business arena, where we still tend to be overly preoccupied with personal traits and behaviors. For example, former US president, Richard Nixon (1982: 2), reflecting on his long time at the summit of world politics, and the leaders that he had come into contact with during his own and the Eisenhower presidencies, pointed to the futility of trying to make comparisons out of context:

> One of the questions I have most often been asked during my years in public life has been: "Who is the greatest leader you have known?" There is no single answer. Each leader belongs to a particular combination of time, place and circumstances; leaders and countries are not interchangeable. Great as Winston Churchill was, it would be difficult to imagine him playing so successfully the role that Konrad Adenauer did in postwar Germany. But, neither could Adenauer have rallied Britain in its hour of greatest peril as Churchill did.

Nixon went on to propose that the formula for placing any leader among the greats had three elements, "a great man, a great country and a great issue". Without the latter two, he believed, potential greatness is likely to remain unrecognized and unfulfilled. For example, Churchill, himself, once said of a highly talented predecessor, that he was unfortunate to have lived at a time of "great men" and "small events". It is also probable that if Napoleon had been born 30 years earlier, his career would have peaked before the onset of the French Revolution and we would never have heard of him, and that without the effects of the Great Depression, piling insufferable woes on an already crippled German economy, it is unlikely that the Nazis would have come to power, and Hitler might have been just a footnote in history. In the movies, an Oscar-winning performance usually begins with securing the right role, and when we think about the essence of great leadership, there is a clear parallel.

In the business world, leadership roles are similarly shaped by corporate history and the context of the time. If General Electric had chosen Stan Gault to be CEO in 1981, and Jack Welch had gone to Rubbermaid, how would they both be viewed today? In many ways, Gault's performance over the years was just as impressive as Welch's, but Rubbermaid as a stage for leadership is like off-Broadway compared with the profile and scale of the drama at General Electric.

Business leaders typically play out one of three main roles – builders, revitalisers and inheritors. The first two offer the greatest opportunity to make a personal

mark, whether through building great enterprises as Bill Gates did at Microsoft or Richard Branson at Virgin Airlines, or revitalizing formerly great companies, as Lou Gerstner did at IBM or Carlos Ghosn at Nissan Motors. In contrast, the contributions of skillful inheritors, like David Glass, at Wal-Mart, tend to be seen as less dramatic, making it more difficult for them to stand out or be seen as visionary or charismatic.

Conviction – Interpreting the Script and Driving the Performance

Leadership roles are rarely so tightly scripted by time and circumstance that they leave little room for any given incumbent to make a difference. Mary Robinson's inspirational performance as President of Ireland in the 1990s, constitutionally a very circumscribed position, is a case in point. Another, compelling example is that of Nelson Mandela, who continued to be such an inspiration to his followers and their cause even during his long years of incarceration. At the same time, having an opportunity to make an impact is not the same as making one. Even in the most enabling of contexts, where the "tide in the affairs of men" is ready to be "taken at the flood", individual leaders must still have the talent to make the most of their opportunities and the conviction to rise to the defining challenges of their era.

A classic example is Pope John XXIII. As Howard Gardner (1995:166) writes in *Leading Minds*, "Elected only on the twelfth ballot, and already 77 years of age, Angelo Giuseppe Roncalli was an improbable pope". He certainly did not foresee the papacy as his destiny. Yet, he brought to the role a level of vision and drive that few could have expected, when the opportunity finally came his way. Three years into his papacy he reflected:

> At seventy-seven years of age, everyone was convinced that I would be a provisional and transitional Pope. Yet here I am already on the eve of the fourth year of my pontificate, with an immense programme of work in front of me to be carried out before the eyes of the whole world, which is watching and waiting. As for myself, I feel like St. Martin, who "neither feared to die, nor refused to live".

What was it that had made Pope John so ready for a role that he had not anticipated? To understand this fully would take more than a chapter in itself, but suffice it to note that context not only shapes the opportunity for leadership, it also shapes the formation of leaders, their ideas, convictions and aspirations. Pope John, like most great leaders, was a man of his time and a man for his time, and when destiny called, he was ready to meet it. On his way up the Church hierarchy, Angelo Roncalli proved himself to be neither a radical, nor an "organization man". He was a successful insider who never lost his individuality. For example, early in his career, he had a defining "run-in" with the Curia over the interest that his diocese had shown in the "modernist" ideas of Church historian, Louis Duchesne. Roncalli neither reacted nor buckled under, but rather arrived at the personal conviction that "I can work in my own style, that is the style of a Church, that is both teacher of all and always modern according to the demands of the times and the places". As a potential future leader

he was already finding his own "voice". Moreover, in his personal development as a priest, he applied himself as diligently to his "apprenticeship in spirituality" and "the science of the saints", as any true professional or artist in any field dedicates himself to personal mastery and the mastery of his calling. So, as a future spiritual leader, he had paid his dues. As a future institutional leader, he had also paid his dues, writing many lengthy pastorals during his time as a bishop, "which in retrospect can be seen as preparation for the encyclicals that he would issue as pope", *Mater et Magistra* and *Pacem in Terris*. Over a period of several decades, he had also researched deeply into the religious renewal that followed the Council of Trent, which helped to infuse his vision and embolden his spirit for his great Vatican II enterprise.

In the world of business, like those of Ecclesia, politics or the military, imagination and drive are more likely to distinguish outstanding performance at the institutional level than professional expertise. Yet many of the ways in which we try to categorize the energy and enterprise of great CEOs remain too generic, and fail to uncover the deeper wellsprings of inspirational leadership, which are always in themselves context-specific. Consider the notion of executive vision. It is context that gives vision real meaning for people. Lacking context, vision is little more than image or fantasy. This is one reason why many corporate mission statements turn out to be ineffective and lack gut-grabbing meaning, as *Built to Last* authors, Jim Collins and Jerry Porras (1996), have often argued. A compelling vision conjures up not just powerful imagery, but also deep emotional resonance, stretching not only the muscles of the mind but also the sinews of the soul, and it tends to be deeply rooted in values, convictions and principles of a more transcendent nature.

We see this illustrated in the case of Dr. Tom Walsh, the inspirational founding director of An Foras Taluntais (the Irish agricultural research institute), known to all of his staff at the time as the "Doc" (Leavy 1992; Leavy and Wilson 1994). The deep-rooted passions that drove the Doc., the convictions that helped him raise the sights of his young scientists and inspire them, particularly during the formative phase of the institute's development in the early 1960s, were his nationalism and his unshakable belief in the power of science to solve the problems of Irish agriculture. These were the contextual factors that helped him link his leadership to a higher purpose, and enlist his eager young scientists to the cause. The Doc. was too young to have seen active service during the Irish struggle for independence, but he was brought up in a household steeped in the republican tradition and deeply immersed in the great historical events that surrounded his early upbringing. He came to see it as the patriotic duty of his generation of Irish leaders to help secure the country's economic independence, where the previous generation had fought for its political freedom, and he was convinced that the revival of Irish agriculture was the key to this ambition, because "Ireland's mine" was "on the top of the land".

Edmund Wilson once said "the poetry of Lincoln has not all been put into his writings . . . . He created himself as a poetic figure, and he thus imposed himself on the nation" (quoted in John Gardner, 1990: 29). For psychologist, Howard Gardner, the essence of inspirational leadership lies in this ability to create and act out compelling stories, particularly stories of collective identity, which appeal to both reason and emotion. The ability not only to communicate an elevating vision but also to

embody it was perhaps the singular aspect of Pope John XXIII's leadership, a vision that combined the pastoral and the institutional in a way that few of his predecessors had been able to do. As Gardner (1995:176) explained:

> In few other individuals were the means and the messages more closely and more convincingly intertwined than in the person of Pope John. To the members of his church, Pope John decried bureaucratic intrigue among those at the top of the authority structure and called for a return to the simple teachings of Christ. The church had to go back to its roots, which acknowledged the essential worth of all human beings. Within the church, there were not to be privileged groups or orders; as he put it, the pope's love was not to be any greater for Italy than for the Philippines. Pope John emphasized the story that he had been creating over many decades. It was possible, the pope believed, to be both traditional and modern.

If vision devoid of context is often little more than fantasy and wishful thinking, communication without embodiment is often little more than image and spin. Ronald Reagan was widely acknowledged by political friends and foes alike as the "great communicator", laying the emphasis on his unique mass media skills, but Reagan himself preferred to be known as the "communicator of great things", deflecting the attention onto his message. The hallmark of Reagan's leadership was values first, strategy second. As David Gergen (2001: 223–5), his communications chief, later reflected: "America has always been a creed as well as a place", and Reagan "brought that creed out of mothballs" and "made it the centerpiece of his strategy". Unlike Jimmy Carter, who had chided Americans about their growing malaise, Reagan did not lecture his countrymen but rather invited them to live in a more positive way. "He was telling them fundamental truths about themselves and the country that might otherwise be lost," and that is why the people responded to him. They also responded to him because of what they could read into him as well as what they were hearing from him. Gergen also captures this essential insight well as follows:

> Speeches take place within a context, never in a vacuum. Listeners bring to the occasion not only their dreams and aspirations but a range of questions about the speaker. Who is he down deep? What does he stand for? Does he speak with authority? Does he care about people like me? Can I place my faith and trust in him? Who the speaker is speaks as loudly as anything he does (p. 215).

Traditionally, the world of business leadership has tended to emphasize numbers before narrative and facts before values, but this is rapidly changing. More and more corporate leaders are coming to recognize that while facts and numbers can persuade, they rarely inspire the way that stories do. As Robert McKee (1997: 12), one of Hollywood's leading screenwriting coaches, explains: "Our appetite for story is a reflection of the profound human need to grasp the patterns of living – not merely as an intellectual exercise, but within a very personal, emotional experience". Great enterprises, like Wal-Mart, are usually built on very potent founding stories, embodied in larger-than-life characters like Sam Walton. Talented inheritors like David Glass, Walton's successor, keep the spirit alive and maintain its momentum. In their turn, great revitalisers reinterpret a shared legacy and make it relevant to new and formidable challenges. For example, in the aftermath of the 9/11 terrorist attacks, the world watched mayor, Rudolph Giuliani, brilliantly rediscover the spirit

and resilience of the "The New Yorker" and articulate it in a new and compelling way that helped to rally the city at a time of great uncertainty and distress. Likewise, during his 20-year tenure as CEO, we saw how Jack Welch rekindled the American dream within that country's leading business institution, reaffirming to the business world that the larger company need not lose its entrepreneurial flair and capacity for innovation as it grows, in spite of much depressing evidence to the contrary.

Great companies love their history, and are resilient in adversity. One of the most remarkable business turnarounds in the last quarter of a century has been the revival of Harley Davidson, the iconic motorcycle company. Harley Davidson came very close to going under in the early 1980s. It was rescued through a management buy-out, by a leadership with a genuine passion for the company's history and what it stands for – individuality, freedom, and a little of the "wild" side of what it means to be human. Few companies have ever managed to forge such a strong identification among their major stakeholders, including management, employees and customers alike. The leadership at Harley Davidson understands better than most that it is a company's unique history that gives it an identity and a "personality" that people can relate to, much more than any particular bundle of financial or material assets. In a recent annual report, the company described the Harley Davidson phenomenon as follows:

> Ours is quite a story. It's a real-life saga of perseverance, ingenuity and pride. A chronicle of pivotal decisions that turned our backyard enterprise into one of world's most recognized and admired companies. And a legacy of extraordinary people and innovative products that determined a history of success – and a future full of promise. (Annual Report 2002: 4).

Credibility – Pacing the Action, Holding the Audience

The third element in this perspective is credibility. All great leaders recognize credibility as the dynamic currency of leadership, yet this rarely figures prominently in traditional theories, particularly within the business literature. Any theory of institutional leadership has to concern itself with how credibility is created and destroyed over time. In the first place, a focus on credibility helps us to recognize our natural tendency to romanticize our leaders and exaggerate the credit that we give to them for the things that happen, both good and bad.

It also invites us to think about the relationship between leadership style and substance in a different way. Those who like to argue over whether the impact of a particular leader, such as John F. Kennedy, was more style than substance, often miss a key truth. Veteran Washington correspondent, Helen Thomas (2000: 298), continues to consider John F. Kennedy her favorite of the presidents that she has covered since 1961 because "he understood the past", "cared about the future" and "brought a new spirit to the country". Style, of course, was a major part of the Kennedy aura, but what the "Camelot" presidency illustrated most perhaps was how style and substance can work together to be truly transforming. In one of his many insightful essays, Isaiah Berlin (1998) brings us back a little further to the presidency of Franklin Delano Roosevelt, and explains why, in his view, FDR was

the greatest leader of democracy in the 20th century. The style and poise of Franklin Delano Roosevelt, and the credibility that he managed to generate and maintain with freedom-loving people within and beyond the United States, at a very dangerous time for Western values and the future of liberal democracy, was a major factor in Berlin's assessment of his effectiveness:

> The most insistent propaganda in those days declared that humanitarianism and liberalism and democratic forces were played out, and that the choice now lay between two bleak extremes, Communism and Fascism – the red and the black. To those who were not carried away by this patter, the only light that was left in the darkness was the administration of Roosevelt and the New Deal in the United States. At a time of weakness and mounting despair in the democratic world, Roosevelt radiated confidence and strength (p. 629).

The ebb and flow of credibility also depends upon performance in the arena, and leaders in the business world and other domains are continually trading in this currency throughout their tenures at the top. The traditional focus within the leadership literature on personal styles and attributes tends to make us too preoccupied with how leadership capacity differs from person to person. However, it is just as important to understand how it varies in any given individual over time. Too much credibility can be as harmful as too little. As credibility grows, the line between confidence and hubris often becomes very thin, as Jack Welch learned several times during his career as CEO. The problem becomes particularly acute when senior executives begin to act as acolytes, an ominous sign that credibility has shifted to credulousness. In recognition of this danger, former Honda CEO, Kiyoshi Kawashima decided to step down early when he found that his most senior people had taken to agreeing with him much too often. Over the course of commercial history, countless others might have been wiser if they had followed this example.

At the other end of the spectrum, credibility can be lost in trying to move too quickly in advance of key constituencies. Jacques Nasser's failed bid to reinvent Ford Motors as a consumer services company in the late 1990s is a classic example. At the time of his appointment as CEO, Nasser was widely seen as the best in the business, yet, "somehow during the course of his tenure he managed to create a lack of trust among virtually every constituency", as one of his board members later recalled in a *Financial Times* feature article (Burt 2001). Other leaders lose their effectiveness because their spirits get tired and their stories get old. Even where great leaders manage to remain strong in body and spirit over lengthy tenures, few are able to reinvent themselves and the stories when the original version no longer excites or emboldens their would-be followers. Margaret Thatcher still felt like she could go "on and on" at the time that her political career ended in tears and she failed to recognize that her story had run its course. Ken Olsen of Digital Equipment Corporation was lionized in the press for more than 20 years, but he arguably undermined a great legacy by holding on to the top job too long. In contrast, at the height of his acclaim, Jack Welch of General Electric showed that he recognized the danger when he told a forum of Asian business leaders that he was "not retiring because I am old and tired", but because "an organization has had 20 years of me" and has to "renew itself" (quoted in Colvin 1999: 97).

Educating for Leadership at the Institutional Level

The kind of contextual perspective on leadership presented here has important implications for the kind of education that should serve top leaders best in their ongoing development. In most domains, the world of business included, there is no role that fully prepares someone for leadership at the top of an institution. Most CEOs pick up their most valuable professional skills and knowledge on their way up through the ranks, and more of the same is rarely the developmental priority at the highest level. Jeffrey Immelt, Welch's successor at General Electric, is an avid reader of history and biography, but rarely reads business books, and he is not unusual. During his heyday at Citigroup, John Reed read deeply into the history of scientific ideas, studying "how ideas evolve" and how great scientists develop "a sense of where the breaks are coming", and he was an unusually innovative banker for his time (quoted in O'Reilly 1988: 24).

Perspective, Not Prescription

What leaders are looking for most at this level is perspective, not prescription. Yet, within the business literature, we continue to bombard them with advice on leadership attributes, styles and behaviors and wonder why so many take no notice. If effectiveness depends on the ability to create and embody a compelling story that will reach into the hearts and minds of every stakeholder, then today's CEOs need to learn how to uncover the deeper values that they share with their followers and how to articulate them in fresh and compelling ways that link their company's future with its history and its place in the broader scheme of things. If too many of them show little capacity for visionary leadership, it is not because they lack techniques for lateral or creative thinking. More likely it is because their interests are too narrow, their deeper values remain untapped and they are failing to stretch themselves beyond the "completeness of a limited man", to use the phrase of John Stuart Mill.

The commercial environment of the 1980s and 1990s presented a very clear performance priority for business – build shareholder value. The business leaders of the time were highly rewarded for staying focused on this goal, and professional education of the kind typified in the traditional MBA (Master of Business Administration) program continued to serve them well in meeting this challenge. The business leaders of today are facing into a very different world, with new priorities and new expectations that will require them to go well beyond the confines of their professional training in educating themselves more fully for their roles.

Understanding the New Priorities and Expectations

In his recent book, *The Politics of Fortune*, Jeffrey Garten (2002), dean of Yale School of Management, identified the new priorities for business leaders in the post

9/11 and post-Enron era, among them restoring integrity to the financial markets, sustaining free trade, reducing global poverty, and expanding corporate citizenship. All of these will require the business leaders of today to broaden and deepen their engagement with their wider society, politically and socially, as well as commercially. For example, restoring integrity to the markets must be a priority if business leaders are to regain their reputation and standing with the wider community; sustaining free trade can only be done with business and government working in partnership; reducing global poverty will be the key not only to creating the growth markets of tomorrow but also to earning the legitimacy to participate in them; and expanding corporate citizenship will be the key to securing and retaining the commitment and loyalty of all of the key stakeholders, not just shareholders, but also customers, employees, suppliers, and the local communities within which the firm operates. The strategic assets in more and more businesses today are "knowledge" workers, and these will not be content to devote their talent, commitment and creativity only to the service of the narrow interests of shareholders – they will want their companies to make a difference in the world and be "a force for good", as firms like BP have increasingly come to recognize . . . .

"Is genuine progress still possible? Is development sustainable? Or is one strand of progress – industrialization – now doing such damage to the environment that the next generation won't have a world worth living in?" These are the questions that Lord John Browne, the former chairman of BP, posed in a BBC Reith lecture at the turn of the millennium. According to Peter Senge and Goran Carsted (2001: 26), leaders in the business world and related domains are going to have to learn to work within a fusion of three world views, rationalism, naturalism and humanism, if we are to make real progress in moving towards a post-industrial model based on sustainable development:

> Rationalism, the belief in reason, has dominated society throughout modern times. It remains the dominant perspective in business and education. Yet, it has limits. It cannot explain the passion that motivates entrepreneurs committed to a new product idea, nor the imagination of scientists testing an intuition. Nor does it explain why a quiet walk on the beach or a hike in the mountains may inspire both. These can only be understood by seeing how naturalism, humanism, and rationalism infuse into one another. Naturalism arises from our innate sense of being part of nature. Humanism arises from the rich interior life that connects reason, emotion, and awareness – and ultimately allows us to connect with one another. Epochs in human history that have nurtured all three have stood out as golden ages.

As Jeffrey Garten (2002) argues in *The Politics of Fortune*, today's system for educating business leaders does not go far enough to train CEOs to be leaders in society, and to meet the challenges of this new agenda. In these dynamic and uncertain times, it seems timely to look again at the role that the humanities might play in the education of business leaders, particularly at the institutional level, where a humanist perspective is now most needed. "Wherever did we get the notion that in management there is a reasonable separation of intellect and spirit . . . . Where did it come from, all this hiding of emotion, of passion, behind some cool mask of macho detachment?" asks James Autry of Meredith Corporation (quoted in Farnham 1991: 51). Yet, much of our traditional approach to the training of leaders seems to reflect

this view. We might all now benefit from recognizing anew what many business leaders and academics of the post-war era believed over half a century ago, that an immersion in the humanities can help an executive become not only a wiser, broader person, but also a wiser, broader businessperson. Few advanced executive development programs go near to developing this capacity to date, and many do not even try.

Leadership as a Potential Process of Self-Discovery and Moral Education

The distinguishing mark of the liberal arts is their emphasis on integration and wholeness, and this is particularly relevant at the highest levels of leadership where strategic vision is more a process of synthesis than analysis. Professional education in the sciences and commerce tend to be organized primarily around the rational search for solutions to well-defined problems. However, top business leaders today are increasingly required to make judgments on questions of values and ethics, not just technical or commercial challenges, and this is where a liberal arts education comes into its own. Some immersion in the humanities can also help a leader to avoid, what Daniel Chirot (1994) has called, the "tyranny of certitude", in which excessive rationalism, not tempered with enough humanity, can wreak havoc both in business organizations (Taylorism) and in society at large (Nazism/Stalinism). Finally, study of the liberal arts can also help our leaders empathize more deeply with the "crooked timber of humanity" and learn to value people in the round, with all their virtues and their flaws, and even the most inspirational of figures often have plenty of both. Take, for example, Bobby Kennedy. Historian and biographer, Arthur Schlesinger Jr. (1978) believed him to be the most creative man in American public life at the time of his assassination, yet during the ill-fated 1968 presidential campaign, cartoonist Jules Feiffer was able to caricature some of the contradictions in his character in the following way:

> The good Bobby is a courageous reformer, the bad Bobby makes deals. The good Bobby sent federal troops down south to enforce civil rights, the bad Bobby appointed racists judges down south to enforce civil rights. The good Bobby is a fervent civil libertarian, the bad Bobby is a fervent wire- tapper. (Feiffer cartoon reproduced in Schlesinger 1978: 807).

During the early 1950s, the world was embarked on a long struggle "between opposing ideals, opposing ways of life", as Donald David (1949:1), then dean of Harvard Business School, described it at the time. Today, we are facing this struggle afresh, at a time when business has become the leading institution in geo-political development, and the need for the humanist perspective at CEO level is now more pressing than ever. In leadership studies generally, we still do not fully know where great transcending ambition comes from, but if history is any guide, then the kind of ambition that built the cathedral at Chartres, painted the Sistine Chapel or circumnavigated the globe for the first time with a starving and mutinous crew, does not come from personal ego or the search for material success alone.

An earlier generation of business leaders believed that management, like the arts and education, should serve a higher purpose than just the needs of business. It now seems timely to return to this ideal if our institutional leaders hope to be able to inspire their people and help make working lives more meaningful in this post-modern world. As Senge and Carsted (2001: 34) have put it: "If enterprises are not committed to anything beyond making money, why should managers be surprised that workers make transactional commitments?" Leaders cannot hope to engage, inspire and empower in any transforming way without being willing to deepen their knowledge of who they really are and what they truly value, and leadership at the institutional level provides a unique opportunity for such reflective self-knowledge and personal development, for those open, committed, and courageous enough to take advantage of it. In reflecting on his own experience as an institutional leader at the highest level, particularly on his role and responsibilities in the Civil Rights issue, Lyndon Johnson, captured this better than most when he said:

> Nothing makes a man come to grips more directly with his conscience than the Presidency. Sitting in that chair involves making decisions that draw out a man's fundamental commitments. The burden of his responsibility literally opens up his soul. No longer can he accept matters as given: no longer can he write off hopes and needs as impossible. In that house of decision, the White House, a man becomes his commitments. He understands who he really is. He learns what he genuinely wants to be. (quoted in Heifetz 1974: 148)

This chapter began by highlighting the limitations of trying to understand the secret of exceptional leadership at the institutional level by focusing on the personal attributes, styles and generic skills of the leader alone. Such skills, no matter how highly developed, are an insufficient basis for leadership that seeks to be transforming in impact and moral in influence. Deeper insight can be gained into the nature of inspirational leadership at the institutional level by viewing it as a dynamic process, the outcome of which is shaped by three main elements: context, conviction and credibility. The nature of each was examined in some detail. The chapter concludes by identifying a number of developmental priorities for individuals aspiring to be institutional leaders that are linked to this perspective. What leaders need most at this level, beyond the requirement for the type of well-honed professional skills that helped to get them there in the first place, are a widening of their perspective, a well-developed grasp of the defining priorities for business in society in their particular era, and a capacity for ongoing self-discovery, qualities that some immersion in the liberal arts seems well designed to foster.

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People in Business: Context and Character

James G. Murphy

Introduction: The Good and the Right

What have business and ethics to do with each other? It might seem that they are very different, with little in common. In this chapter, I suggest that the differences may be of a complementary kind. More importantly, I argue that business is far more grounded in ethics than is often realized.

Let us start with some general points on ethics. Its two key concepts are the Good and the Right. The Good concerns values. It has to do with goals or ends: what is worth seeking, in either an objective or a subjective sense. It is usually reflected in a business's vision-statement, reflecting its core values and ultimate goals. The Right concerns norms. It is about rules about how to behave and how not to behave, what kinds of behaviour are permitted and what are prohibited. If the Good is about goals, the Right concerns what actions may and may not be taken in pursuit of the Good. A utilitarian ethic says "the ends justify the means", i.e. whatever action is required to achieve one's goals is permitted. There are serious problems with such an ethic. More commonly, we incline to the view that there are some types of action that are inherently wrong, no matter how good their consequences. Much of business ethics deals with the Right: how ought managers, investors, shareholders, accountants, CEOs, directors behave? What norms should govern their behaviour, and how can such general norms be made more concrete and specific? What obligations and rights apply between the different parties involved in business? Justice is the central issue here.

In advanced societies, a large part of the norms for behaviour is expressed in law. Here is where business ethics overlaps with law, both concerned with individual and corporate behaviour. In its lawmaking and law-enforcing capacity, the public authority has a major role to play in helping businesses to be ethical. As a kind of extension of the law, companies accept such things as gender equality and absence of discrimination as goals to be promoted, and in pursuit of those goals develop codes of conduct, along with mechanisms such as disciplinary procedures for securing

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compliance. Business ethics can obviously play a useful and concrete role here, in helping to draw up such codes. Cynical comments to the effect that mere compliance with the law will not make business ethical are off the point: nobody ever said it would. But making business properly accountable and enforcing the law impartially on rich and poor alike is in itself a significant ethical achievement, as can be seen in societies where the rule of law is sporadic or absent. However, once we try going beyond the rules, many businesspeople think of business ethics as so general and vague as to be irrelevant.

It could be argued that business ethics dealing with rules may, even though specific, be rather redundant, insofar as it merely echoes what the law of the land requires, and that its main contribution lies elsewhere. After all, there is a great deal that the law cannot touch or regulate, and some ethical guidance is needed here. In addition, even where there is law, bringing criminal behaviour to light is sometimes virtually impossible, without the cooperation and even initiative of individuals in business. Law can never be enough on its own to make business ethical. There is much need for what business ethicists can contribute in this area.

As indicated, ethics is sometimes thought of as simply a matter of following moral rules, analogous to following legal rules. But following the rules is only part of what being ethical means. It is also the more obvious part, since the rules come from "outside" the business world, so to speak: the creation of legislation or the traditional moral rules taught by some religion. Less obvious, in part because it is taken for granted, are the understandings and practices that make up the fabric of life in business, industry, investment and finance, and which have ethical content, albeit unnoticed. That context reveals multiple linkages between business and ethics.

What is business ethics about, or what does it deal with? Narrowly conceived, business ethics concerns the ethical aspects of the behaviour of individuals working in industry, finance, and other commercial activities. By extension, it also concerns the attitudes and values of those individuals, as well as the behaviour of the individual company. It is an ethic for those who work in business, and concerns mainly what they do in the running of that business.[1] A wider conception of business ethics indicates some of the connections between ethics and business. Widely conceived, business ethics extends to the ethical aspects of the external role of business, public policy relating to business, and society's long-term attitudes to and shifting expectations of business and the corporate world. It is sometimes said that politics is too important to be left to politicians, and that a society gets the politicians it deserves. Perhaps the same could be said of business. If so, business ethics is for many more people than CEOs, managers, and accountants. The wider conception may seem too vague and general, enabling individuals to evade responsibility by claiming that "society", rather than the individual banker or CEO, is to blame for unethical business practice. I hope to avoid that, explaining how a wider conception of business ethics does not make it so general as to be meaningless.

In any case, the narrow conception may be too narrow, as the following instance suggests. A few years ago, the extent to which Irish account holders and their bankers were involved in running offshore Ansbacher accounts with a view to tax

evasion caused a public scandal. The wrongdoing in question cannot be blamed on the banks alone, or even primarily on the banks: individual account holders must take their share of responsibility. While consumers and most investors are not personally involved in business in the way that CEOs or managers are; their actions may have considerable ethical significance. Accordingly, there are identifiable groups and individuals, who do not work in what we conventionally call "business", yet to whom the norms of business ethics apply.

In this chapter, I am primarily concerned with business ethics in a wider sense: with the ethical aspects of the external contexts of business, and with the personal dimension of ethical business. We start with a survey of the contexts of business ethics. These are not just the academic world of ethicists and the business world of industry and finance, but also historical, political and ecological contexts.

Contexts

The collapse of communism in the late 1980s represented the final discrediting of the command economy model, precisely because it was a collapse from within. That had considerable political impact in Western Europe, Latin America and Africa, where there had been a significant faith in the possibility that socialism apparently offered of transcending the market economy. Accordingly, prior to 1989, the Left tended to dismiss business ethics as mere "tinkering with the system", when what was needed was to abolish it. The Left assumed (a) that one could make an intelligible judgement to the effect that the capitalist system was inherently immoral, and (b) that it could be replaced by a system that was more efficient, more egalitarian, and non-capitalist. From the 1980s onwards, as it gradually came to be accepted (a process not yet complete) that both assumptions were false and that private property and the market are here to stay, there was a surge of interest in business ethics. Today, not merely as an economic system, but as a political movement with widespread appeal, socialism is quite dead.

The same could not be said of anti-capitalist populism, expressed in the anti-globalization movement and the recent emergence of populist leaders in various Latin American countries. The fact that populism offers no serious economic analysis or policy has little effect on its moral and political appeal. Populism is a kind of moral movement; and to say so is not to approve of it, merely to describe it.

Marx and Engels contemptuously dismissed moral critiques of capitalism, in favour of "scientific" socialism. Yet it has been moral critiques of capitalism that have been the most powerful. In the late twentieth century, the impact of the mass media and information technology heightened public awareness of dishonest business practices, exploitation of peasants and labourers in the Third World and casual environmental pollution. The picture painted was often wide, undiscriminating, sometimes simplistic and with a tendency to see it as the good guys (the little people, the great mass of humanity) vs the bad guys (powerful corporations, accountable to

nobody). Familiar instances of such portraits of big business include such films as *Silkwood* (1983), *The Insider* (1999), and *The Corporation* (2003). The critique is simplistic; but that is beside the point. At showings of *The Corporation*, a no-holds-barred all-out attack on big business, audiences have clapped loud and long. So, even though no serious analyst considers it possible to have a non-market economy, private enterprise and big business have an image problem. That may have significant political implications, leading to a "legitimation" crisis for business.

In the late 1920s and the early 1930s, capitalism's legitimation crisis in Europe was so severe that support for free market economics declined dramatically. It encouraged the rise of anti-capitalist, anti-liberal, and anti-democratic movements on both left and right, in the form of communism, fascism, and the various forms of authoritarian or quasi-military regimes that took over most European countries in those years, excluding only the Nordic and Benelux countries, Britain, Ireland, France and Czechoslovakia. Christian Democracy, a remarkably successful political force in post-1945 Germany and Italy and elsewhere, was strongly influenced by the idea that the capitalist system was tolerable only when subjected to a major social mortgage. The Christian Democrats were clear that while they were not socialists, they definitely were not free market liberals either.

While at present, a liberal free market model is accepted (and remember, I am referring here to *political* acceptance, not just acceptance among economists), it is accepted with some reluctance among the public. When politicians propose the liberalization of markets, privatization of public companies and the like, the public is rarely enthusiastic. Times change, and the kind of anti-business politics of the early twentieth century could well rise again. The economic irrationality of a populist approach carries little weight in the face of a serious popular anti-business reaction. It follows that business, particularly transnational business, needs legitimacy.[2] It always needs legitimacy because of the power it actually has to affect peoples' lives, because of the public perception that it wields great power and is focused on profit, and because of the resultant suspicion that there are no ethical limits to the ways it will use people in order to make bigger profits.

Some businesspeople may protest and say it should not be like that, business provides a very valuable service, it delivers the goods like never before, and it should not have to be concerned about "social legitimacy" – whatever that is. The protest is idle; it is reminiscent of King Canute commanding the waves to go back. Businesspeople pride themselves, often correctly, on their hardheadedness about what it takes to make a business work, in contrast to the naïvely do-good ideas in some quarters about business, ideas that would ruin a business in short order. They need a parallel hardheadedness about the fact that social context influences and delimits the scope of business, and deal with it realistically, not trying to pretend it is not there. This is not just a public relations (PR) problem or a political problem. It is also (and perhaps fundamentally) an ethical problem, one of the points where doing business is tied, willy-nilly, to being ethical. Unethical businesses eventually have bad PR and political problems, and may even be shut down.

What counts as unethical business is determined, not solely by business itself but in part by the social context (including regulatory agencies, the legislature, various

non-governmental organizations (NGOs) like unions and churches, etc.). Political upheaval, social unrest and expropriation are often the price to be paid for ignoring popular feeling. Getting serious about business ethics is one way business could take out what could be called "legitimacy insurance."

Another objection to the idea that business needs "social legitimacy" comes from Milton Friedman's claim that a business's only social responsibility is to increase its profits, and that it should not waste the owners' or investors' money in funding charities or community projects. It has some merit. However, accepting it implies that the responsibility for building civil society and funding social projects lies elsewhere, presumably with the state. That actually militates in favour of heavier taxation of business to provide the money for social projects: business will pay, one way or another. Second, Friedman's thesis also provides an argument for reduction of the scope for self-regulation by business and strictly limiting its role in influencing and lobbying legislators, on the grounds that (according to Friedman) business cannot legitimately have any concern for the common good or the public weal and will "regulate" itself and lobby the government for narrow sectoral interest alone. The Friedman thesis opens the way to a more intrusive state and a more regulated business sector. Clearly, the world of business has some choices to make here. To avoid that outcome, the Friedman thesis would need to be accompanied by a theory in political philosophy arguing that the state should not seek to build civil society or fund social projects, let alone tax or regulate anybody to achieve such goals, so that such goals are appropriate only to private charity. To argue that one would be far tougher, and it is not apparent that it has any merit at all.

Finally, even if a company did accept the Friedman thesis, it would be well advised to regard it as dealing solely with a moral demand or what is absolutely required by justice. In other words, while a business is not morally required to support non-business social projects, in specific contexts it may be politically inadvisable, bad for the business's PR image, to fail to do so.[3] Ethics is not just about what is required or morally mandatory, but also about what would be morally desirable or ethically admirable.

A third important contextual factor is religion. This may seem an odd factor to include, since the influence of organized religion seems weak and declining in Europe. However, its influence is stronger elsewhere and likely to remain so, for instance, in Latin America. It is probably increasing, in Africa, the Muslim countries and the USA. The European phenomenon of progressive secularization, accompanying industrialization and dramatic improvement in living standards is not a global phenomenon. Organized religion influences the political context within which business operates, thereby affecting business. It is, even in secularized societies, an important way in which values are transmitted between generations. It would be surprising if such moral upbringing did not play some role in shaping the policies adopted and decisions made by businesspeople and financiers.

While the great religions accept the necessity of lifting people out of poverty and accept the role of private property in bringing that about, they also cast a wary eye on business, and on the attachment to wealth and material goods that it generates. It is important that businesspeople do not dismiss that concern out of hand – if for

no other reason than that it is counterproductive to try doing so. It is true that economic analysis connected to religion's critique of business tends to be ill-informed on economics. But the accuracy of the economic analysis is not what matters. The role of religious groups, their "expertise", lies in the moral impact of their speaking up for the underdog. As Adam Smith would have emphasized, the economic system of private property and the market (like any economic system) always needs moral critique.

In a now bygone era, business people could have dismissed such moral critique on the grounds that it amounted to calling for an end to private property and the market. But we no longer live in an era of a crude and somewhat simplistic clash of systems, capitalism vs socialism. Not just socialists but also some capitalists need to catch up with the implications of that development. Catholic social thought endorses the market and profit, private property and the right, even the duty, of economic initiative. To imagine today that critique of the way the capitalist system works in a given context is always tantamount to rejection of the system per se is irrational, and may be perceived as deliberately evasive of criticism.

The final contextual factor to which I draw attention is the impact of ecology: under that heading I include both the global physical and biological environment with its changing constraints, and, at the social level, the environmentalist movement, both academic and activist. There have always been some physical environmental constraints on human activity. But there has been a major change. Once upon a time, Mother Nature was powerful and we were weak, due to lack of tools and vulnerability to diseases and the elements, and we had to fight in order to survive. Today, we are powerful and Nature is weak, and we are slowly awakening to the fact that we must preserve it in order to survive. Environmental degradation, arising from human impact on the eco-system, cannot but be a major contextual factor for a modern business. It applies even when business has not been directly responsible for particular instances of ecological degradation or disaster. The importance of this factor will increase in extent and intensity in the coming decades.

Response

Such are the contexts. In the 1990s, business ethics seemed to become much more popular, with courses, books and journals proliferating, and bigger companies often hiring their own in-house ethicists. At the 2003 World Economic Forum at Davos, Switzerland, corporate social responsibility (CSR) was a major theme, with nearly all participants expressing total, almost religious, devotion to the concept.[4] Yet the fanfare about the new attention being paid to business ethics may be illusory. In major bookshops, one can find six or seven book carrels on business, management and finance, containing perhaps three or four hundred books, but only three or four books on business ethics. Since bookshops respond to market demand, the relative absence of texts on business ethics reflects a lack of commitment to it in colleges and businesses. Checking the websites on business programmes in many of Irish

third-level colleges shows business ethics to be either marginal in, or absent from, such programmes.

It seems that, while there are honourable exceptions, there is quite a way to go before business ethics is taken seriously. Business and ethics still sit uneasily with each other, and the relationship is not yet fully worked out. Many business leaders do not grasp that business ethics cannot be a mere PR exercise, refusing to accept that people will see through the smokescreen. Furthermore, thinking of ethics as like a department, a subdivision of the human relations department, where an in-house ethicist can be hired, creates a situation where ambivalence can never be entirely eliminated. The hired ethicist can never be used in a PR role to defend particular policies or practices, on pain of discrediting both the company and the ethicist himself/herself. The commitment on the part of higher management to ethical policies would have to be very strong indeed for the company to accept an in-house ethicist who was (though only within the company's internal forum) critical of the company in a major way. As both Machiavelli and Aristotle would agree, it is good to seem virtuous, and it is hard to seem so, unless you are fairly consistent in your seeming and it is very hard to have such consistency without actually being virtuous.

Let us allow that businesses do see ethics as something "good to have", all else being equal, and something that improves the company's image. But for most businesses, its importance or value appears relatively small compared to other considerations.

The Ethical Nature of Business

This marginal status of business ethics, even while accompanied by lip service for public consumption, may in part be due to misunderstanding ethics. When business ethics is mentioned, many senior executives may associate it with high-profile events involving illegal activities by businesses or senior executives, embarrassing but rare events that must be avoided. They may be thinking of, or imagining, ethics as avoidance or evasion strategy, like having firefighting equipment in the plant that one hopes never to use. If so, they are probably not thinking of it in positive terms as something good to use or access. Yet the most immediate, if mundane, relevance of business ethics has to do with employee honesty and reliability. The executive who secretly thinks business ethics a wasteful irrelevance (except for emergencies) has forgotten what makes a company successful.

A good business cannot be such without having a minimum level of moral goodness in its employees and policies. Nobody, not even the most tough-minded businessperson, would think a company admirable if it is systematically indifferent to how its customers and workers fare, or callous about any "collateral damage" its operations may cause. An untrustworthy company cannot succeed in the medium- to long-term, and can succeed in the short-term only in societies where legal regulation and oversight are lax.

It is bad business to rip off customers. Some business leaders, agreeing, are inclined to think that this is simply a matter of economics, and has nothing to do with ethics. To think so is to misunderstand ethics. It is mistaken to think that ethics is only about altruistic behaviour that yields no benefits to the person or corporation acting ethically. Ethics includes altruistic behaviour, but is by no means confined to it.

I am not making the ludicrous claim that a business's being successful means that it must therefore be morally good as well. My claim is the much more modest one that to run a company successfully requires a certain ethical standard. Some businesspeople may not even recognize that good work practices, good communication with staff, trustworthiness in business dealings and the like, are ethical in nature. That merely shows they do not know what ethics is. A book that makes this point repeatedly is Adam Smith's *The Wealth of Nations* (1776). Smith is often thought of as one whose praise of free trade entailed freedom for the economic agent from all moral and legal restraint. Only through encouraging selfishness and greed, he allegedly argued, could national wealth be increased. This is a caricature of Smith's views.[5] He is explicit that the good of society requires that businesses be ethical, run by people who exemplify the virtues such as honesty, prudence and justice, and governed by an external framework of laws regulating them. Smith would probably have thought it an odd thing to have an "in-house" ethicist, as though business ethics were simply a department (and a minor one at that) within a large company.

"Business Ethics" Is Just Ethics

In one sense, there is no such thing as business ethics. Ethics in business is basically no different from ethics in policing, rocket science, or ordinary everyday life. While there may be particular ethical problems typical of the business and financial world, the most important part of ethics is universal: be honest, do not cheat, be trustworthy, be prudent, be concerned about the well-being of others, and so forth. To that one could imagine somebody commenting: "So business ethics is just about being a "nice person"?" – suggesting that it is trivial, in the sense of its meaning being self-evident and its accomplishment relatively easy. In fact, the "nice person" bit is the hard part, for one is not born a nice person, and one cannot make oneself "nice" by doing a weekend seminar. Becoming a good person is a lifetime project, started through the influence (if one is lucky) of good parents, continued through education, and through one's choices of friends and values. It is a major task, for, one way or another, one will, consciously or otherwise, mould one's character and make oneself into a good, bad, or mediocre person. And one must take responsibility for the outcome, even though it might not be so easy to change it. A weak character is, in a sense, responsible for being so.

If you are not an ethical person before you go to work for Gadgets and Widgets Ltd or for Flexible Accountants Inc., do not expect to become so on the job. "Nice" person sounds weak. In this context, it would be better to think of a person of good

moral character as strong rather than nice. To somebody going to work for Gadgets and Widgets or Flexible Accountants, business ethics says something like the following:

> The company you are joining doesn't have a bad name, so you have no specific reason for ethical concern. But expect that someday the company (like any other human organization) may be tempted or pressured (by government, customers or circumstances) to act unethically. Or people above you in the chain of command may act immorally or ignore people's rights, and perhaps expect you to do the same or at least go along.
>
> Have you decided what you will do when that happens? Will you be strong enough to resist? Will you (assuming you rise to management or executive level) be alert enough to see the issue coming down the turnpike, and imaginative enough to seek honourable ways to deal with it? If all comes to all, are you prepared to say 'No', even if it costs your job?
>
> If you are not ready for that challenge now, you have already failed the ethics test.[6] And if you thought that passing the test was simply a matter of saying 'No' if asked whether you intended to enrich yourself by fair means and foul and to get away with as much corner-cutting as possible, then you are ethically illiterate and not in touch with reality. Unless your skills are so valuable that it cannot afford not to hire you, the company would be better off without you.

You may be a "good" person, insofar as you are "not doing anybody any harm". Among the ethically illiterate, that seems to be what passes for being "good". But it is a weak and naïve goodness, assuming that it will never be faced by evil, burdened by the frailty of others, or confused by ambiguity. It has little ethical value. We recognize a good car driver as one who is, not merely competent at controlling the car and observing the rules of the road, but also aware that there are dangerous drivers on the same road whose erratic behaviour he must take into account. Something similar applies to being ethical in business. Shocked and indignant protests that such incompetent drivers should not be on the road, or that one should not have to deal with unethical bosses at work, are equally idle and futile. This is the most important element of ethics for the individual, be he the most junior employee, the middle manager, the young MBA, or the CEO. However, there is often resistance to it.

Ethics: Not Dilemma-Solving, but Character-Formation

When I teach a course on ethics to business students or future managers, there is a glazed look on the faces of a large number of the students from the outset. They think of ethics as largely irrelevant to their future careers: they do not intend to rob anybody, so what has ethics to do with them? Only when it becomes clear that indifference to ethics may cost the company millions of euro or dollars, and more importantly ruin their careers, does the glazed look change to a warily calculating look. But any "conversion" to ethics thereby achieved is to the ethic whose primary principle is "Thou shalt not get caught".

I venture to suggest that this is a bigger problem than is acknowledged in the business world. Contrary to popular impressions, ethical failures in business may sometimes not be the result of the weight of the company crushing moral scruples

in the individual employee or young manager, so much as a likely outcome of ethical illiteracy in those hired by the company in the first place.

It could be argued that there are not just two types of people: the good and the bad, the upright and the corrupt. There is also the type of person who is morally ignorant, or ethically naïve. They "don't mean any harm", and are not out to "do" anyone; they just want a job and decent pay and promotion, etc. Many of those in legal or ethical trouble later are just like them, genuinely puzzled at how it could have happened and wondering where they "went wrong".

A smaller number of students are quite interested in ethics, and genuinely concerned about doing the right thing. Some of them cannot wait to talk about difficult dilemma cases, wanting to know what rules to apply. Even though focusing on dilemma cases is barking up the wrong tree, they still pass my test, for at least they see the importance of ethical orientation. Yet they may underestimate its importance and centrality, taking ethical dilemmas to be central. It is natural to think of business ethics as about problem-solving, with "ethics" expertise viewed as analogous to technical or professional expertise. Not surprisingly, then, one is liable to think of the dilemma cases as what business ethics is primarily about. Yet philosophers such as Plato and Aristotle take a different tack. They are well aware that there can be difficult dilemma cases, but they hardly bother discussing them. It is not because such cases do not matter, but because nobody can anticipate all the dilemmas in advance in order to provide one with a handbook entitled *Quick Fixes for all Ethical Headaches* or *Dilemmas Dissolved for Dummies*. Secondly, and perhaps more importantly, the tendency to focus on the difficult cases and to desire a calculus for dealing with them rests upon a questionable assumption, viz. that moral failures are solely due to ignorance and/or confusion. Surely, one thinks, if one knew clearly what was the right thing to do and was able to do it, one would, of course, do it . . . .? Put like this, one realizes that it is not so. No doubt ignorance is at the root of much wrongdoing, but not always. Sometimes people knowingly refuse what is good. So, even if it were possible to produce a recipe book for solving all moral dilemmas, it might not suffice, for one might lack the willpower to follow the recipe. Evil is a failure, not just at the level of intelligence but also at the level of the will. Accordingly, building one's character is far more important than having a manual for problem-solving.

As regards the dilemma cases, Aristotle's view (as reflected in the *Nicomachean Ethics*) is that, since we cannot foresee them in detail, and cannot have a set of rules for them precisely because they are dilemma cases found in the grey areas, we should in such cases trust the gut instincts of the virtuous or excellent person: the intelligent person of strong character, who is intelligent and has good judgement. To use a metaphor, not unfamiliar in the business world: it is important to preserve and build up a vital part of what is called "Human Resources". These are the talents and skills and (in this instance) the capital represented by the moral character of the business personnel. Thus, to return to the question of the previous section: whether there is such a thing as a distinctive business ethics, it is clear that, even if there is, it is still the case that its most important part is that which it shares with all other role-specific ethics, namely, development of good character, where goodness

includes practical competence along with the shrewdness to expect, and the ability to cope with, moral problems.

Virtues: Not Mysterious, and Not Easy

Talk about virtue is not as vague as some might think. It is easy enough for any employer to think out and list the characteristics he or she would want in an employee: honesty, trustworthiness, reliability, sharp business sense, patience, perseverance and so forth. When hiring, employers want appropriate technical proficiency and experience. They also want to assess the prospective employee on other levels. The CV and references usually cover knowledge and experience. The desire to interview the candidate, a desire that usually varies directly with the level at which appointment is to be made, reflects the employer's need to get some sense of the candidate. Implicit in that is a belief that in a face-to-face interview the interviewer can get an idea of what kind of person the candidate is, reflected in how he/she answers questions, responds to challenges, thinks on his/her feet and interacts with others. Relevant information is also picked up in the little details of dress and deportment, of manner and facial expression.

There is a strain of thought that dismisses ethics as irrelevant to the hard, ruthless world of business, where tough competition is as much a reality as cooperation, and where the metaphor of business as war comes easily to mind. Maybe individuals can be virtuous – but only in the non-business part of their lives. In the actual world of business, and particularly in today's world where open markets, free trade, competition, breakup of monopolies and privatization are the order of the day, the pressure to survive is enormous. Little wonder that many high-minded idealists dismiss the heartless world of business, like the world of war, as almost inherently immoral. Correspondingly, those who operate in such zones return the compliment, and dismiss ethics as soft-hearted and therefore irrelevant to their world. It is easy to show that the position expressed in the last sentence is mistaken, since there are obvious ethical qualities prized in business and war: business requires trust in certain key relationships, just as soldiers prize loyalty to comrades, and both find that virtue is the one thing they can hold on to as matters get difficult. Still, there may be something important behind that line of thought which ethicists need to hear.

One can see how ethics may seem too soft, precious, ineffectual, and idealistic to be of any earthly use in the tough zones of human life. Considering how ethics is often presented, and how ethicists themselves often appear, it is no surprise that some people might sense that ethicists are precious and out of touch, so ethics must be like them, soft, flabby and unfit, and ill-adapted to survive in harsh terrain. What answer can there be to such a challenge? For a start, an ethic need not be soft – and probably should not be, if it is genuine. A relativistic ethics will rightly be dismissed (by the people referred to in the previous paragraph) as simply not serious. Relativism is so pliable that it offers no resistance or challenge, and is no more than a comfort blanket to make weak people "feel good about themselves". In sufficiently

harsh environments, comfort blankets may be positively dangerous. Accordingly, better to dismiss all ethics than accept a relativistic ethic; better an atheist than an idolator. Second, a serious ethic is one that proposes tough challenges. I do not mean that in the sense of being high-mindedly idealistic, where the goals may not merely be unreachable but are irrelevant to the business or imprudent in the view of the person experienced in that zone of activity. I mean rather that the ethic is in some way a response to the operational conditions in that zone of activity in a way that is both robust and realistic. The "tough challenges" must be those that are recognizable by a businessperson as those appropriate for the business world, even if unwelcome or daunting.

I referred at the outset of this chapter to the ethical elements permeating business, the ethics implicit in the understandings and practices found in the manifold aspects of a life spent in business. There is something to be said for the idea of an ethics emerging from what has come to be seen as "best practice" in the business world. The idea can be illustrated by reference to Nancy Sherman's recent book, *Stoic Warriors: the Ancient Philosophy*, where she relates Stoic philosophy to soldiering. I use the more ambiguous term "related" rather than "applied", for the relating is not an application of Stoic theory from the outside, prior to getting a sense of the moral atmosphere of a soldier's life. She states at the outset:

> It doesn't take too great a stretch of the imagination to think of a POW survivor as a kind of Stoic sage, for the challenge the POW lives with is just the Stoics' challenge: to find dignity when stripped of nearly all nourishments of body and soul. . . . Most military men and women do not think of themselves in Epictetian terms. Yet they do think of themselves, or at least they have idealized notions of military character, as stoic in the vernacular sense of the term. The traits that go with stoicism are familiar: control, discipline, endurance, a sense of "can-do" agency, and a stiff upper lip, as the Brits would say. In a less elegant American phrase, to be stoic is to be able to 'suck it up'.[7]

In some way, the Stoic ethic appears to emerge from the conditions and exigencies of life in soldiering. One can see how soldiers might gravitate towards it, as something that is relevant to their situation. It is, quite obviously, not a soft ethic. Nor is its being "high-minded" particularly relevant. What one needs is not so much high ideals as an ethic that will "stand to" one when under pressure, and help one "push back as hard as the world that pushes against" one.[8] Unlike the moral code, it is not an ethic of universal "do's" and "don'ts". Yet it does not fail in objectivity, for even pacifists and those who would never want to be soldiers can still admire the character traits mentioned. Whether it is the best ethic available is also somewhat irrelevant. No doubt there are flaws in stoicism, and it could be corrected or enriched by input from other strains of thought. But it still captures something of what is needed to be a "good soldier". Something similar is needed in business. It may actually be harder in that world, for the soldier's experience of the "No-atheists-in-foxholes" syndrome, of desperate situations where you do not know whether you will come out alive, would seem to have no counterpart in the business world. But if it is harder, that is all the more reason for it to be developed.

I close by suggesting the need for dialogue between businesspeople and ethicists on the kind of ethic that would emerge from, that would be natural to, the business

world. An ethic of law-observance is not enough, and takes no imagination. The drawing-out or explication of an ethic that would be in some way admirable to both people in business and those in other walks of life, yet clearly grounded in business experience, should be the goal of that ongoing dialogue.

Notes

1. Elaine Sternberg 1994, *Just Business* (London: Little Brown) is an example of a narrow conception of business ethics. It defines (business) ethics as having to do solely with moral codes governing individual behaviour (75–76), but not covering the behaviour of the company or the character traits or values of people engaged in business.
2. See R.C. Warren 1999, "Company legitimacy in the new millennium", *Business Ethics: A European Review* 8: 214–224.
3. In some parts of the world, notably the poor rural parts of Africa, popular attitudes are such that a foreign company simply would not be allowed by the local people to operate if it refused to do things like fund a school, a drainage scheme, etc. Milton Friedman's thesis cuts no ice in such places.
4. Reported in "Two-faced capitalism", *The Economist* (22/01/2004). For a CEO's critique of CSR, see Ian Davis, "The biggest contract", *The Economist* (26/05/2005).
5. See in particular Patricia Werhane 1991, *Adam Smith and His Legacy for Modern Capitalism* (Oxford); also Amartya Sen 1987, *On Ethics and Economics* (Blackwell), 22–28.
6. It's the "Lord Jim" test. In Joseph Conrad's novel, *Lord Jim*, Jim is the first mate on a ship, the only idealistic man among a cynical and selfish crew. At a crucial moment, believing the ship is about to sink, he joins the others in abandoning the ship with its crowd of helpless passengers. There is some truth to the claim that his action is out of character; he hates himself for it, and spends the rest of his life atoning for his weakness and betrayal. More profoundly, however, it may be self-contradictory to say that a person's action in a given instance was "out of character", since action both reveals and shapes character.
7. Nancy Sherman 2005, *Stoic Warriors: The Ancient Philosophy behind the Military Mind* (Oxford University Press), 1.
8. The "push back" quotation is from Flannery O'Connor.

Responsible Leadership beyond Managerial Rationality: The Necessity of Reconnecting Ethics and Spirituality[1]

Johan Verstraeten

Most people agree that leaders should be ethical but few have delved into what this means

(Joanne B. Ciulla)[2]

In order to be acknowledged as experts, business ethicists, like other experts in applied ethics, assimilate quite uncritically the discourse of their dialogue partners. Such a particular discourse tends to avoid or to exclude questions and interpretations which are not in accordance with the shared understandings and presuppositions of the discipline. It even sets boundaries with respect to the sort of questions that may or may not be posed. In business ethics the dominant discourse is that of management. This has positive consequences such as greater relevance and adequacy. But it also leads to the exclusion of crucial questions. This is particularly the case with regard to leadership, which requires more than management skills or managerial rationality. Leadership transcends the boundaries of management.

According to the UN Commission on Global Governance, leadership is not an exclusive characteristic either of top-managers in business or of decision makers in politics. It is a quality that is necessary in all domains of life: "On every level and in every domain of life, in local communities and in international organisations, the world needs a credible and sustainable type of leadership (. . .) a leadership that looks forward and does not only react, that is inspired, not only functional, that accounts for consequences in the long term and with future generations, leaders who can be trusted and behave like good stewards. The world needs leaders empowered by a vision."[3]

Indeed vision distinguishes leadership from management. It requires the mobilisation of imagination as a precondition to innovation. It is based on "disclosing new worlds of meaning."[4]

The boundaries of the manager's radius of action, determined by a given context and given economic goals, are narrower than those of leaders (even when considerations such as CSR or stakeholder-interests are included).[5] Unlike managers, leaders

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question the given goals and they are geared towards changing the parameters of the context.

Leadership, moreover, is not only transactional, but also transformative and that requires the capability to motivate people to "transform their own self-interest into the interest of the group through concern for a broader goal."[6]

Managers have much "know how" but they often lack "know why". The art of leadership does not consist in acting in accordance with professional codes or business conduct guidelines. It is not so much a matter of "doing things right" but of making the right choice ("doing the right thing") and of motivating people to go for it.

Doing the right thing requires more than role integrity. It is a matter of courageous personal responsibility and of integral integrity, the sort of integrity that requires a narrative configuration of life and transcends differentiated role behaviour.

Leadership is also more than steering people to external or economic goals and it is certainly more than encapsulating men and women in mimetic and submissive patterns of behaviour steered by panoptic control mechanisms (mechanisms often hidden behind theories that pretend the opposite). Genuine leaders are aware of the tension between corporate values and personal values but that does not prevent them from appreciating people who have the courage to be what they are. A leader who takes himself or herself seriously (and this is the opposite of a cynical attitude) valorises the specific contribution of people who are motivated by their own living sources. According to Etty Hillesum this is "the work that one can perform on one's fellow men and women: driving them back time and again to themselves, restraining them in their flight from themselves, taking them by the hand and leading them back to their own sources."[7]

This sort of leadership and its underlying conditions is perhaps the most underdeveloped theme in business ethics.

In this chapter I will start from the paradoxical nature of genuine leadership. Paradoxes are important for reflection because as apparent contradictions they deconstruct our familiar insights. The paradox of leadership is that on the one hand, it is a condition *sine qua non* for successful business in an era in which the only constant is change, while on the other, it has never been more difficult to develop authentic leadership as a consequence of the fact that our late-modern culture hinders or sometimes even blocks the development of leadership qualities. The main reason is the artificial separation between ethics and spirituality. In my presentation I will clarify some of these cultural obstacles and describe how spirituality can generate the basic conditions for the moral responsibility of leaders.[8]

I know that my approach is vulnerable to critique from the point of view of business ethics, particularly because what I am going to suggest is not so much a matter of ethics but of the preconditions to ethical behaviour. The problems we are confronted with are so fundamental that we need to first elucidate the very conditions for the possibility of responsible moral behaviour and this cannot be articulated merely in rational terms. Of necessity we will sometimes have recourse to metaphorical and poetical language or, to put it in the words of William James and Martha Nussbaum, we will have to work "exploratively and suggestively rather

than dogmatically" and ethical judgement in this regard "can never be definitive, except in the most abstract and vaguest aspects; and they distance themselves more and more from the old fashioned, sharply defined, so-called "scientific" form."[9]

The Diagnosis of the Problem: What are the Obstacles to Leadership?

There are at least four reasons why leadership has become problematic: the impossibility of interpreting the sphere of work as meaningful, the fragmentation of conscience, the lack of interior life and the manipulation of the soul.

The Impoverishment of Language

When we describe leadership as the capacity to motivate people by way of opening new worlds of meaning and to shape possibilities for the emergence of new insights and practices, the problem becomes immediately clear: the capacity to give meaning to what we do, or our capacity to interpret the world as meaningful, has become weakened by an impoverishment of language.

Humans are not only economic actors, rational beings or political animals, but also and mainly language animals. We ascribe meaning to what we do and experience through language. There is no experience apart from language and interpretation. The richer our language, the more meaning we find, the more attenuated our language, the more one sided and functional our vocabulary becomes, the less we will be able to experience the world within us and around us as meaningful. Hannah Arendt once referred in this regard to the dominance of stereotyped phrases, whereby we try to protect our place in the system, but instead of guaranteeing life in the fullest sense of the term, we ultimately place it under a sort of "anaesthesia". The original and life-giving word is drowning in a sea of bureaucratic, managerial or control-freak words, which no longer do justice to the complexity and richness of human action. Likewise, management theories do not offer a solution; on the contrary, they intensify the problem, since the meaning of life and work is often impoverished by a human resources discourse, which still represents in some way a mechanistic interpretation of life. We use words and metaphors such as "Re-engineering the Corporation" (the enterprise as engine!), human resources (as if the human person is a material reserve), workforce (why not "co-workers"?), downsizing or rightsizing (instead of laying-off people) not to mention the ubiquitous language of control. This impoverished language has not only invaded business, but has colonised every aspect of life, e.g., academic life. Its meaning is impoverished by a utility-oriented economic language that equates universities with business organisations where managers decide, students become clients and scholars compete for research funds in a highly competitive market. Already more than fifty years ago, Josef Pieper warned against it, by articulating it in terms of a *proletarisation of the intellectual*.[10] The academic is no longer a thinker with a rich culture and

literary formation, who both takes the time (and the leisure!) to think beyond the utility of his or her research and tries to raise fundamental questions. Instead he or she has become a knowledge worker who has to perform useful labour; a worker who has to meet his/her production quotas as determined by bureaucracy or economic goals. The intrinsic significance of intellectual labour, the semantic richness of one's ideas no longer has a role to play and is often subjected to extrinsic criteria, such as observable and verifiable "output" and "impact", quantity of publications or, preferably, the acquisition of large amounts of research funding. The entire language game betrays the fact that the economic utility of what we do exhausts its meaning.

The diagnosis of Pieper must not be limited merely to academic work, since the problem of the narrowing of our hermeneutical horizon is extended to all spheres of life and is, moreover, not new. It was already suggested in a metaphorical way in the allegory of the cave dwellers in Plato's *Politeia*. These prisoners have no other option than to observe the shadows and they believe that their very limited perception of reality coincides with reality as such. The cave of Plato symbolises the limited hermeneutical horizon in which managers and business ethicists operate. Like the dwellers in the cave, they are not capable of seeing that there is more beyond the misleading virtual reality projected on the wall. Plato even suggests that the prisoners would put to death somebody who leaves the cavern and sees reality in a new and richer light. They are obstinate to the safety of their limited interpretations. They refuse to be interrupted or disturbed by a perspective different from that of the cave and its illusions. They even refuse to acknowledge the possibility of another perspective. When people stick to their narrow interpretation of reality, leadership becomes impossible.

A Second Inhibitory Factor with Respect to Leadership is the So-Called Disconnection Syndrome

Disconnection is not only an external phenomenon. It is also innate to human beings. MacIntyre once compared the post-modern person to an actor who is obliged to play a variety of roles, who dashes from one stage to the other, performing each time in a different drama, unable to see the connection between the one and the other.

There is no cohesion between all these different scenes and each one is open to experimentation. People are often unwilling or unable to opt for the integration of roles which, in spite of its limiting effects, nevertheless calls a degree of cohesion into existence.

An aspect of the problem is the fragmentation of conscience. When people stick to their differentiated professional role morality, when they try to do things right, they often fail to do the right thing. An example of such disconnected "role morality" can be found in the story of IBM engineers and technicians who assisted in the design and maintenance of "nothing more than an extremely innovative punch card system", likewise those who worked in the service of the Nazis, but who argued that

they bore no responsibility for the optimisation of the registration and systematic killing of the Jews. This albeit extreme example points to a very real problem, namely the neglect of the difference between role integrity (living according to the specific responsibilities of a professional role) and integral integrity.[11] In the latter instance one accounts for the global context and the broader consequences of one's professional choices and in so doing one acquires the capacity to integrate the variety of role responsibilities in a coherent life, but this presupposes that a person is capable of a narrative configuration of life as a whole. The manager, who is not capable of acting beyond role integrity, will never be a leader. However, the problem is that the narrative configuration of life as a necessary condition for leadership has become utterly problematic, since the "self" as the subject of this narrative configuration is in crisis, as I will point out in the next point.

Alienation from the Deeper Self

We are indeed confronted with one of the paradoxes of the history of the self after modernity: in spite of the promise (and pretence) of greater autonomy, the human being has become more and more alienated from his or her deepest interior self.

Louis Dupré has shown that pre-modern men and women, like Augustine in his *Confessions*, had the capacity to enter into the most profound layers of interiority as a space in which to encounter God.

The modern self, however, has become an "empty" subject, only able to enter into contact with itself by mediation (and thus no longer in the "immediate" sense).

The modern self (and in equal measure the post-modern self) no longer enjoys an anchor point in himself or herself. It has been reduced to objective achievements, to property and conquest.[12] The human being that no longer maintains a direct bond with his or her deepest and most essential core has become an empty subject. Instead of courageously confronting the emptiness, however, we endeavour to fill it as much as we can with work and activity for fear of nothingness. And filling emptiness with activity easily leads to workaholism. Diane Fassel, who has followed the problem at close quarters for some time, describes her encounters with people everywhere as encounters with people "who are killing themselves with work, are constantly busy, always on the move, overburdened with worries, trying to rescue themselves. The addiction to work is a modern epidemic that is spreading at lightning speed."[13] In contrast to other addictions, workaholism is socially accepted and often establishes the illusion of success. On closer inspection, however, it becomes apparent that it does little more than reinforce our alienation from the deeper self.

Leadership, however, requires taking distance and enjoying leisure. The capacity to enjoy free time is one of the most important strengths of the human soul. It allows the human being to connect once again with the sources of life. It is not the person who is able to enjoy his or her free time who suffers from the emptiness and dispiritedness of apathy or *acedia* but rather, the hyperactive individual

who has internalised the ethos of "I work therefore I am". The latter refuses to become himself or herself and abandons himself or herself to the inertia that "refuses to undertake new things" (Thomas Aquinas). This refusal is the opposite of leadership.

A Fourth and Last Obstacle to Leadership is the Manipulation of the Soul

In the past, manipulation on the shop floor tended to be limited to physical manipulation, whereby the capacity to work was measured in an effort to make labour as productive as possible. Taylor's labour analysis and Chaplin's matchless symbolisation of the instrumentalisation of the body in the film *Modern Times* are symptomatic of such an attitude. Today, however, we are not so much confronted with the body as the object of manipulation in service of economical goals but rather the manipulation of the soul, to which even senior management is subjected. Nicole Aubert even goes so far as to speak of the "manipulation of the heart".

Human resource policies are concerned in the first instance with the psychical and even spiritual dimensions of individuals. An endeavour is made to manipulate their desires, fears and imagination. In a culture in which established frames of meaning and "plausibility structures" have all but disappeared, in which fragmentation is both exterior and interior, people still search for a firm footing, self development and confirmation. In order to fulfil these desires, however, men and women have become more and more dependent on the confirmation and slap on the back they receive in the work arena. As a consequence, they are likely to attune their own behaviour to what they think they have to do in order to satisfy the other, the company, the professional organisation for which they work. They develop a mimetic or imitative life and become all the more dependent on the persons and institutions that deal out the confirming back slaps. The latter is doled out in the form of promotion or an increase in salary and is paid for by harder work. To satisfy their need for confirmation, many are prepared to do virtually anything, even sacrifice quality of life and good health. They ultimately find themselves drawn into a vicious circle that reinforces the relationship of dependence on the company, limits their freedom to negotiate and impoverishes them existentially.

According to Nicole Aubert, companies (and professional organisations) not only try to make use of the labour and intelligence of their employees and managers but also their "being". They endeavour to persuade others to place "being in the service of production", which simultaneously provides the members of such organisations with the illusion that the narcissistic projections with which they sought to escape existential emptiness can be realised in the discovery of a false transcendence in their professional environment or in the company for which they work.

Disguised as the pursuit of "excellence", such submission to the organisation bears witness to an alienating "thirst for the absolute", as Louis Aragon once described in his Aurélien: a dreadful sickness, a consuming passion "that "devours"

those who submit themselves to it and imprisons those who succumb to it."[14] A striking combination can be detected in this process, a combination of absolute dependence and the endeavour to elevate the self to heroic proportions. By submitting oneself to a company or a professional organisation one acquires the illusion that one is a hero, but instead of finding oneself in the process, one is condemned to cherish nothing more than a false image. The absolute is no longer present in this context in authentic transcendence but rather, in the insistence on total self-realisation in which one is likely to drown with just as much pleasure as Narcissus did in his own reflection.

This narcissism is further reinforced by the company or organisation via a system of "creed, code and cult", the company credo, its moral code and the rites it employs to underline its values. Such companies and organisations behave like pseudo-religions and in some instances do not even hesitate to manipulate the desire for immortality. On other occasions, they behave like secularised churches that offer a sort of ersatz immortality. The individual who longs for eternity (can be both the employer and the client!) are given the illusion that they belong to a sort of "mystical" community that transcends the limits of their mortality. Burkard Sievers even goes so far as to argue:

> In former times, the Church was the predominant organisational representation of our collective western belief in immortality [and this was expressed, to some extent, in the ecclesial hierarchy of the living and the dead as well as in various forms of worship. Nowadays, our companies have, to a degree, taken over the spiritual and cultural function of confirming belief in immortality.[15]

Such quasi-religious pretensions are also evident in the titles of some best-sellers for managers such as "Built to Last"[16] and "Corporate Cults. The Insidious Lure of the All-Consuming Organization."[17]

According to Aubert, companies and professional environments often function under the illusion that they are divine and all-powerful institutions and that they are at liberty to ignore time and death. At the same time, they behave like "all-encompassing, all-devouring mothers" and like "benevolent and nourishing mothers, oriented towards the possession of the totality of the individual's psychic space, who cannot imagine any possible alternative pattern of behaviour."[18] This ultimately leads to the destruction of the person and to existential meaninglessness. Instead of being a source of life, therefore, human labour becomes a source of emptiness and death.

I fear that some forms of company spirituality serve to do nothing more than reinforce the endeavour to instrumentalise the human heart and soul.

The relationship of dependence established in the work environment emerges in particular in crisis situations, when companies or organisations decide to restructure or "downsize" (a technique referred to by some as "corporate anorexia nervosa" whereby an exaggerated number of employees is sacked in order to cut costs and thereby increase profit margins and please shareholders). When people are bound to their company because of a relationship of dependence, being sacked not only results in loss of employment and income, but also the loss of an illusory

all-embracing system of meaning. Such individuals are inclined to fall into an existential black hole that increases in size in accordance with the depth of their binding commitment to the company.[19] For some this can lead to complete despair. The suicide of an airline pilot after the bankruptcy of the Belgian national airline Sabena is a textbook example. Such employees have given everything to the company, even their soul, and the company in turn has taken everything from them. As Dilbert cynically states: "We've squeezed your benefits. We have taken all your power and soul. We've taken the best years of your life. We made you sit in a cardboard box. We drove you crazy. And now you can't stay."

Even those who "survive" such crises are inclined to depressive episodes, having come to realise in the process that the company had become an "idol", an empty shell, which was only after their labour. They tend, in addition, to develop a cynical approach to the ethics and spirituality of the company and try to survive by working harder.

Against such a background, the challenge confronting leadership becomes all the more significant: how can people acquire sufficient authentic autonomy to escape from the process of manipulation of the soul?

Solution

As already indicated, the solution to the sort of problems mentioned is more than a matter of ethics. It requires the mobilisation of imagination and spirituality as preconditions for innovative thinking and autonomous innovative action, in other terms, as preconditions for leadership.

First, with regard to the problem of acting and thinking in too narrow a framework of interpretation, leadership begins with learning "to see" again. It starts with an interruption of the narrow horizon of interpretation in which we are stuck, and with the development of the capacity to interpret reality differently.

This is, in a most interesting way, suggested by a report by the UN Commission on Global Governance:

> The most important change that people can make is to change their way of looking at the world. We can change studies, jobs, neighbourhoods, even countries and continents and still remain much as we always were. But change our fundamental angle of vision and everything changes – our priorities, our values, our judgments, our pursuits.
> Again and again, in the history of religion, this total upheaval in the imagination has marked the beginning of a new life . . . a turning of the heart, a 'metanoia' by which men see with new eyes and understand with new minds and turn their energies to new ways of living.[20]

In other words, as Marcel Proust wrote: the true voyage of discovery is not to seek out new territory but to learn to see with new eyes. The key word in this context here is imagination. Without imagination there is no way out of the cavern of illusions. Imagination is mediated by texts that are sufficiently different from the dominant life-impoverishing language.

In order to be capable of leadership again, members of the business community must learn again to read and meditate on poetical texts, in the Aristotelian sense

of the word: texts that stimulate them to think differently, texts that interrupt their fixed ideas, texts that disclose new and other ways of being and thinking. Such texts are not only the novels and poems, but also the great texts of the spiritual traditions such as the Bible, the Koran and the Bhagavad-Gita and so on. All these texts have in common the ability to give people access to a language and a horizon of interpretation that is different from the narrow horizon in which they live.

Such texts can generate semantic innovation because of their metaphorical language.

The metaphors create a tension between everyday life and a new world of meaning opened by the metaphor. They also enable us to look beyond the scope of problem solving into new possible worlds of meaning. The living metaphors challenge the dominant root-metaphors, which are often latent or hidden in objective argument or theory.

A shift of root metaphors implies a change in our perception of life and world. For example, in neoclassical economic theory the invisible hand is one of the dominant root metaphors, which presupposes a world constituted by monadic individuals and a mechanistic worldview. It is, as Charles Handy suggested, challenged by the root metaphor of the invisible handshake, which refers to a world in which people are interconnected by bonds of solidarity.

Another example of a metaphor is the great inquisitor of Dostojevski. His leadership style is that of control and distrust, while his tacit opponent represents a world of freedom and trust.

Without initiation into the world of stories, without the creative tension created by the world of metaphors, thinking in other perspectives than that of the existing frameworks of interpretation is impossible. Innovative leadership starts with the acceptance of a conflict of interpretations, of a clash of interpretative horizons and that requires initiation into literature and the great texts of spirituality. This is at least as important as initiation into ethics.

Yet, the hermeneutical *metanoia* I just described is only the beginning.

Initiation into the poetic texts is one way; it ought to be supplemented with an initiation into the world of silence and meditation, the world beyond words.

Beyond Words: Silence and Meditation

A characteristic feature of classical spirituality is that it not only offers magnificent metaphorical and narrative texts but goes beyond them. By means of the techniques of meditation and self-emptying, the person in search of interiority ultimately learns to leave text and word, image and concept behind and thereby allow himself or herself to be addressed by a more original word: "If the word has lost the power to reach the heart, then it is all the more important that we ourselves discover our own heart. When we find the way to our heart, when we are able to penetrate to the depths of our own existence, then the words will acquire their meaning and sound once again, and we also shall understand the depths from which the word was originally spoken."[21]

The First Step: Contemplation

One possible path to interiority passes indirectly via relaxation and a contemplative approach to the reality surrounding us. Our lives are lived for the most part under enormous pressure and at an incredibly hectic pace. We observe reality as a succession of images that appear like a landscape seen from a high-speed train. Moreover, we are hopelessly confused. Our attention is drawn from one thing to another, to several things at the same time. As a matter of fact, such confusion is the opposite of what Rilke calls "sich sammeln: concentrating everything in life from one central point of interest or life option."

A simple method exists that helps us to leave behind the multiplicity of thoughts and ideas that run through our head, the images and concerns that make our consciousness uneasy: concentrating on something, paying attention to something. In this regard spirituality is not an escape from reality but a way towards more attention for what is.

Let me clarify this with an example.

One can visit a museum with a guidebook in hand and "consume" the paintings and images one sees with great haste. The result is usually disappointing: one does not give the artwork the necessary time to reveal itself. All we notice is whether what we see corresponds to the image we had already formed of the artwork on the basis of a photograph, description or commentary. As long as we are only willing to see what confirms our expectations, then we are more preoccupied with ourselves than with reality. The artwork's expressive richness does not get through to us. Those who maintain in advance that they understand reality will not be likely to allow their tried and trusted interpretations to be interrupted. The mystery of the artwork is thus incapable of revealing itself.

If you take your time, on the other hand, a half-hour or fifteen minutes, to calmly look at an artwork and allow it to get through to you, then it will begin to "reveal" itself. It will interrupt the familiar interpretations that are never completely capable of uncovering the richness of the work and it will manifest meanings that are not simply in line with our own expectations. All sorts of aspects make their way to the foreground that are otherwise missed by the hasty glance. Only a contemplative attitude allows the radical otherness of the artwork to be discovered. Only thus can we be enthralled by what we see and allow it to let us see the world in a new light.

Thanks to a contemplative attitude in which we are open to reality, to what is, in everything we think, see and do, we allow the reality of people and things to speak instead of imposing ourselves on reality. This has the potential to increase our attentiveness and thus also our openness for the unexpected, for the unplanned; openness for new challenges to which we would otherwise have been blind.

It is possible that a great deal of creativity and originality is being lost in the business world because of a lack of contemplation in action, because of our eagerness to manipulate reality or to intervene in reality before it has had the chance to reveal its potential. Without contemplation in action, even the creation of crucial services and goods are under threat of being neglected because we pay insufficient attention

to what is going on around us, to what people with whom we work are trying to say with their words and symbolic behaviour. In other words: spirituality leads to improved attentiveness and increased care.

The Second Step: Meditation and the Courage to be

Attention is not sufficient. In order to liberate managers from the manipulation of their souls, a more systematic exercise of mediation is necessary.

With the help of a number of Eastern religions, Western men and women have also acquired a greater awareness of the physical dimension of meditation. This awareness begins with a change of attitude towards our breathing. The activist breathes as if he or she is in control of his or her life. The person engaged in meditation turns the tables completely. Our breath is not something we draw into ourselves but rather something we gratefully receive. When we breathe out we let go of everything, when we breathe in we adopt a receptive openness to the current of breath that is received as a gift.

Receptivity is one of life's most important basic attitudes and confronting ourselves with emptiness is crucial here. Emptiness needs to be understood, however. It runs counter to the misconception that the experience of meaninglessness and loss of meaning, to which we referred in the first part of the present chapter, can simply be solved by offering "meaning" in its place. Meaning does not come about when we try to reverse meaninglessness. The manner with which contemporary men and women search for meaning sometimes leaves the impression that something actually exists that we can call "meaning" and that we can ultimately find and set in the place of the emptiness that we experience as meaninglessness. There would appear to be a fundamental misapprehension at work here: meaninglessness is associated with emptiness and thus meaning has to do with filling the emptiness. Activist pressure is continually present, urging us to dispel the emptiness, to fill it, to anaesthetise the pain of emptiness and cover it over. Just as comfort does not remove sorrow, however, the search for meaning cannot dispel emptiness: "Meaning and absurdity are not related to one another as plus or minus. Meaning has more to do with the capacity to live with emptiness."[22]

Confrontation with Vulnerability and Darkness

This moment of self-emptying (*kenosis*) leads to a characteristically painful phase: the confrontation with the self as a mortal and finite being. The activist, the human person who imagines himself or herself to be autonomous, who organises his or her existence as it suits him or her or who forces others to bend to his or her will, acts as if he or she is immortal, as if he or she is the centre of the universe, as if everything is possible and there are no boundaries. Such an individual sets out to master himself or herself and to master others. He or she behaves like a manager of life.

This illusion is shattered in the silence of introspection. The individual engaged in meditation experiences himself or herself as an extremely vulnerable being, a fragile reed, irretrievably subject to the limitations of time. He or she discovers that he or she is a created thing, a creature and not God. According to Burkard Sievers, one of the most pertinent deficiencies among top managers is the illusion that they enjoy imperishable power over others. The person guilty of self-deification, of turning himself or herself into God, is also likely to exhibit the tendency to subject others to himself or herself, to reify them and manipulate them.[23] This attitude is crushed in silence and meditation, since even the most powerful of people ultimately come to realise therein that he or she is an ordinary, mortal creature and thus also a human being among other human beings. The person who is able to look his or her own limitations in the face will also be more likely to recognise the vulnerability of others and to deal with others differently.

Genuine leadership demands that we dare to look our weaknesses and limitations in the face and not ignore them. Only then can we set free our potential creativity and leadership qualities.

The readiness to confront one's own limitations, boundaries and pain also demands a capacity to relive our wounds, to re-live them rather than re-think them as Henri Nouwen so aptly puts it.

What follows in the process of meditative self-emptying is a shocking experience of the truth of our own lives. Of course, we also become aware of the good, of what it is that inspires our lives, of deeper desires that bring peace when we give in to them. Nevertheless, we can be confronted equally with lack of completion, with inner division, brokenness, loneliness, opposing desires, aggression; everything that makes us less of a person, all of our shortcomings. All these things can emerge into consciousness in the self-emptying of the heart and sometimes with the most terrifying clarity.

Confrontation with primal human sadness can be such a painful experience that it can result in debilitating anxiety, anxiety that has the capacity to lead some men and women to the edge of the abyss. Questions arise that cannot be ignored: is the desire to be a good person not some sort of Sisyphean torture? Does life have any meaning?

Such questioning can become obsessive and narcissistic. One can then end up trapped in a sort of "I'-oriented self-pity. On the other hand, it also has the capacity to clear the way for an experience of liberation.

Every one of us has experienced such moments, moments when there seems to be no satisfactory answer to the questions that plague us, moments when it seems that all our anchors have disappeared. The anguish resulting from unanswered questions, however, can occasion emancipative insight. An illustration can be found in Dostoevsky's *The Brothers Karamazov* when Ivan says to his brother Alyosha: if I have given up every hope of understanding life, "only then do I feel a thirst for living, a longing for something that will make me drink the cup to the dregs".

It is only when I am no longer able to talk nicely about life that I get a sense of what life really is.

When we have the guts to drink the cup of life to the dregs – a place we can never aspire to without hard confrontation with the deepest layers of the self – then we come to realise that initial doubts and existential anxiety need not lead to despair. In the experience of inadequacy and the absence of ready answers to life's questions, we come face to face with a response to the question of recognition, of acceptance, of redemption.[24]

In the process of becoming aware of these questions, a further positive experience unfolds whereby an extended supportive hand invites us, as it were, to take the plunge – a leap of faith – and to endorse life as meaningful. This leap of faith is what Paul Tillich refers to as "the courage to be", the courage to accept that we are accepted at the deepest level of our being.[25]

At its deepest, spirituality as a precondition to leadership is a leap of faith and thus an act of faith. For the believer it is to accept oneself and entrust oneself to ultimate acceptance by God, the submission of oneself to a love greater than oneself and the source of every possibility of love.

Even for the atheist it remains an act of faith: the refusal of ultimate meaninglessness and a leap of faith in the rejection of nihilism. The non-believer endorses the ultimate meaningfulness of life in a non-theistic manner. In spite of his or her initial experience of absurdity, his or her protest against the latter serves to open him or her to a horizon of new possibilities.

The most important point of connection between spirituality and leadership is to be situated here in this fundamental act of faith. Rooted in the discovery of a profound security in our existence, an intense trust and elementary freedom are made possible that rupture the mechanism of secondary narcissism, our dependence on pats on the back for self-confirmation. A turnabout is thus made possible from a mimetic or imitative existence, a "*vivre selon l'autre*", an existence aimed at making others happy, a way of dealing with others rooted in an (easy to manipulate) appeal for confirmation, to a life founded in authentic freedom.

Such redeemed autonomy is precisely the opposite of the attitude of the person who continually sends out signals in order to remain continually up-to-date about what the world expects or desires of him or her. The person who then adapts himself or herself to such expectations or desires is not worthy of leadership:

> If the business world elevates the constantly adapting individual to the level of an ideal, there will be little room left for creativity and leadership. Organisations will ultimately suffer under such circumstances, because their behaviour excludes the very individuals whose life consists of investment in their work and in people.[26]

Genuine autonomy begins with a life lived from within one's deepest self. This calls for an extraordinary form of obedience, not to an alien law that has the potential to crush the individual but rather, to that to which one is called most profoundly.

The Third Step: Discernment and the Fundamental Option

Authentic depth experiences and self-assessment are anything but naïve and unworldly because the inner peace one finds reconnects us with the outer world with

greater clarity. It even leads to a personal verification of a holistic image of the world that runs counter to the mechanistic paradigm within which many a management theory remains locked.

In an organic-holistic paradigm there are no longer brute facts that we can manipulate but rather countless singular events that are always related to one another, are bound together organically and are never chaotic. Every event, even the tiniest change, has an influence on the whole, precisely because everything is bound to everything else. This creates new possibilities. In contrast to the postmodern resignation to the impossibility of manipulating the world and humanity on the basis of an all-embracing blueprint, reference has been made in recent years to the strategy of small steps that qualitatively influence the whole and ultimately change it. Scott Peck speaks in this regard of the formation of communities in organisations, for example. Large structures are not easily changed by management techniques, but the formation or establishment of communities within organisations is possible. When people deal with one another differently, the institutional context and ultimately, the organisation within which they function, will change. Change is thus no longer a question of manipulative management but of processes of change that are fundamentally human in solidarity with others.

As Gandhi said: One must first become the change that one desires to take place in the world.

But this change also requires discernment, another forgotten precondition to responsible leadership.

We have most likely lost sight of the fact that before there can be any talk of ethics in the sense of reasonable reflection on the correctness of decisions or the reasonable balance between the worthy and the unworthy, a person must first form himself or herself as a moral person, capable of distinguishing between the essential and the secondary, a person who has learned to discern the direction he or she would like to follow in life.

Discernment has a specific significance in the tradition of the spirituality of Ignatius of Loyola. Discernment is a process that must precede every concrete moral decision. It has to do with the fundamental question: how can I recognise and live out my unique, personal vocation in the world in which I am professionally engaged? In order to arrive at an answer to this question one must first listen in silence to what moves us in the deepest core of our being. In his *Spiritual Exercises*, Ignatius speaks of sensing and becoming conscious of movements that are manifest in the soul. Every human being is aware that he or she is being torn in a variety of directions at once. There are desires that confuse us and deeper desires that grant us inner joy and sometimes there is conflict between the two. Together with Ignatius we can use the metaphor of the battlefield: our divided self is at war. We realise that we are divided, that we have different sorts of desires. If we focus our attention for a while on a desire that does not ultimately grant inner joy, then the desire in question will ultimately come to demand so much attention and energy that more fundamental desires are lost sight of. The core of the discernment process is thus to ascribe a place in our lives once again to deeper

desires. It is not a question of some crushing *heteronymous* demand, or a task imposed from outside ourselves. On the contrary, discernment as the discovery of the prayer "Thy will be done" brings us into harmony with ourselves and with our most personal vocation. It is a question of accepting a task that is in complete harmony with the movement we sense in our inner self. Every human being is created to contribute to the humanisation of the world in his or her own unique and personal fashion. The discovery of this fact is not only passive, however, it calls for an active choice. We have to make a decision about the stance we wish to take in our lives as a whole: to side with humanity and life or to side with destruction.

Conclusion: The Courage to Act

The fact that discernment and choice ultimately cannot be separated from one another has one important implication: it brings us to the realisation that spirituality cannot be limited to the search for harmonious security, enjoyable spiritual experiences or to the fostering of oceanic emotions. Spirituality's path, on the contrary, is the difficult path of "letting go" of such emotions. What such "letting go" can imply can be elucidated in light of the images from Plato's story about the cave dwellers. While it is possible to leave the cave, Plato describes such liberation as a painful process. Confrontation with the light and with the real world of people and objects is not easy. No matter how painful the discovery of reality may be, it ultimately brings joy. The enlightened and liberated human being considers himself or herself to be happy and experiences a sense of pity for his or her former fellow prisoners. The story does not end in an atmosphere of euphoria, however. Plato goes on to ask what it would be like if the liberated person should return to the cave: the person who has seen the light is never believed. The cave dwellers consider the enlightened returnee to be so dangerous that they plan to kill him or her if the opportunity presents itself.

One might interpret Plato's story as follows: it is not the blissful sense of security or the joy of "seeing" that stands at the core of the process of discernment but rather the pain of vocation and mission. It is about leaving the womb for an undistorted perception of reality in all its veracity. Such "letting go" will inevitably encounter resistance and opposition. People are generally more inclined to opt for the security of the illusions in which they are imprisoned than to confront the consequences of a new and more authentic consciousness.

The person who desires to take the lead in letting go of closed conceptual frameworks, to open the way to new meanings, to see with new vision and thereby be a leader of people, should not expect to be applauded. The option for genuine leadership demands courage.

Paraphrasing Vaclav Havel we can conclude that this courage is the pen with which we write in human history the story of a new creation. This creative and innovative attitude is the heart of leadership.

Notes

1. Some aspects of this chapter are worked out more extensively in Johan Verstraeten, *Leiderschap met hart en ziel. Spiritualiteit als weg naar oorspronkelijkheid*, Tielt, Lannoo, 2003, especially 19–70.
2. Joanna B. Ciulla, "The State of Leadership Ethics and the Work that Lies Before Us", in: *Business Ethics: A European Review*, 14 (2005) 4, 323–335.
3. *A call to action*. Summary of *Our Global Neighbourhood. The Report of the Commission on Global Governance*, (Geneva: 1995), 19.
4. Manuel Guillén, Tomás F. González, "The Ethical Dimension of Managerial Leadership: Two Illustrative Case Studies in TQM", *Journal of Business Ethics*, 34 (2001) 175–189.
5. Kenneth Goodpaster has labelled the focus of managers on economic goals and the instrumental rationality related to it as "teleopathy", See Patricia H. Werhane, R. Edward Freeman (eds.), *Blackwell Encyclopaedic Dictionary of Business Ethics*, (Oxford: Blackwell, 1998), 627.
6. Judy B. Rosener, "Ways women lead", in: *The Leader's Companion: Insights on Leadership Through the Ages*, ed. Thomas E. Wren (New York: The Free Press, 1995), 150.
7. Smelik, Klass A. D., Gideon Lodders and Rob Tempelaars (eds.), *Etty. De nagelaten geschriften van Etty Hillesum 1941–1943*, 3rd ed. rev. (Uitgeverij Balans, Amsterdam, 1991).
8. For a most lucid synthesis of the contemporary quest for spirituality in business, see: Thierre C. Pauchant, "Introduction: Ethical and Spiritual Management Addresses the Need for Meaning in the Workplace", in Id. (ed.), *Ethics and Spirituality at Work. Hopes and Pitfalls of the Search for Meaning in Organizations* (Westport, Conn./London: Quorum Books, 2002), 1–27.
9. William James, *The Moral Philosopher and Moral Life*, as quoted in Martha Nussbaum, *Wat liefde weet. Emoties en morele oordelen*, (Amsterdam: Boom/Parrèsia, 1998, 129). (We have here retranslated the Dutch translation of *Love's Knowledge* into English).
10. Joseph Pieper, *Leisure. The Basis of Culture*, (South Bend: St. Augustine's Press, 1998), 34.
11. Mike W. Martin, *Meaningful Work. Rethinking Professional Ethics*, (Oxford/New York: Oxford University Press, 2000), 203
12. Louis Dupré, Edith Cardoen, *Terugkeer naar de innerlijkheid* (Antwerpen/Amsterdam: De Nederlandsche Boekhandel, 1981, 21 (This book is a revised translation of Louis Dupré, *Transcendent Selfhood*, Seabury Press, 1976).
13. Diane Fassel, *Working Ourselves to Death*, (San Francisco: Harper, 1990), 2.
14. Nicole Aubert, "L'entreprise comme instance de création existentielle: aspirations et désillusions", in Thierry C. Pauchant, *La quête du sens. Gérer nos organisations pour la santé des personnes, de nos sociétés et de la nature*, (Montréal: Ed. d'Organisation, 1996), 116.
15. Burkard Sievers, "Participation as a Collusive Quarrel", *Ethical Perspectives* 3 (1996) 3, 133.
16. James C. Collins, Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies*, (New York: HarperCollins, 1994).
17. Dave Arnott, *The Insidious Lure of the All-Consuming Organisation*, (New York: American Management Association, 2000).
18. E. Enriquez as quoted by Nicole Aubert, art. cit, 199–120.
19. *Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsized Organisations* (San Francisco: Jossey Bass, 1993), especially 3–14, 134–155.
20. *Our Global Neighbourhood: The Report of the Commission on Global Governance*, (Oxford: Oxford University Press, 1995), 47.
21. Jeroen Witkam, *Bewaak je hart. Diepte-inkeer en gebed*, (Antwerpen/Amsterdam: Patmos, 1975), 53.
22. Bart Raymaekers, "Zoeken naar de zin en de zin van het zoeken", in: *Ethische Perspectieven*, 7 (1997), 3–4, 173–174.
23. Burkard Sievers, "Participation as a Collusive Quarrel", in: *Ethical Perspectives*, 3 (1996), 3, 128–136.
24. A most interesting elucidation of the role of basic trust via mediation and spirituality can be found in the book of Noémie Meguerditchian, *Entrer dans un discernement spirituel. Quelques repères psychologiques*, (Paris: Desclée De Brouwer, 1998).

25. Paul Tillich, *Systematische Theologie*, III, Stuttgart, 1966, 268.
26. Abraham Zaleznik, *De mystiek van het management. Het belang van leiderschap in het bedrijfsleven* (Utrecht/Antwerpen: Veen, 1990), o.c., 204 (retranslated from the Dutch text by myself).

Part II
Organizational Level Business Leadership

How Losing Soul Leads to Ethical Corruption in Business

Ronald Duska and Julie Anne Ragatz

What doth it profit a man if he gain the whole world and lose his soul?[1].

John Bogle states in his book *The Battle For The Soul Of Capitalism* that he will describe "how the financial system undermined social ideals, damaged trust in the markets, robbed investors of trillions – and what to do about it."[2] Bogle argues that the financial system is corrupt and there are two contributors to this corruption; the first is excessive executive compensation and the second is onset of quarterly earnings guidance.

We are intrigued by Bogle's title which talks about the *soul* of Capitalism. We want to exploit Bogle's words, if not his thoughts, and talk about corruption as the very loss of soul. But we need to get clear about what is meant mean by soul.

To explain what soul means, we will to make use of some concepts developed by the Greek philosopher Aristotle. Some years ago, there was a popular book entitled *What If Aristotle Ran General Motors*? we want to suggest a different tack, and ask, "What if Aristotle would analyze what is going on in the scandalous behavior of business in the twenty-first century?" We think his explanation, would be simple. Businesses have lost their souls. On an Aristotelian account, businesses, like human beings or any other entity, are comprised of four causes: material, formal, efficient, and final. The material cause is the stuff, the formal cause is the organization of the stuff, the efficient cause is the mover that brings the stuff together and the final cause is the purpose of the whole entity.

In living beings, the material cause is obviously the organic body and the formal cause is the spirit or soul. The soul (*psyche* in Greek) is the dynamic force, or the animating (*animus* in Latin) principle. Aristotle's work on the soul was entitled *Peri Psyche* in ancient Greek and *De Anima* in later Latin translations.

In a discussion of the four causes, Aristotle indicates that at times the formal cause is identical with the final cause.[3] In other words, to explain "what" a thing is sometimes involves explaining "what it is for". In order to understand the essence or nature of something we need to determine its purpose. Indeed, in the case of physically amorphous things like social institutions, it may be that the only possible

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way to explain them is in terms of their purposes, not the way their physical makeup is structured. For example, in order to understand what a government is, it is best to explain the purpose that a government serves, rather than providing a description of the buildings in which the government is housed. So, to understand a social institution, it is not sufficient to describe its aggregate parts. One needs to explain its function or purpose. To the extent a social institution functions or operates, it has an animating principle which is its purpose.

If we identify formal and final causes like Aristotle did, we can argue that a business, like a human being, is a living enterprise driven by its projects and goals, i.e. its purposes. Further, when it loses its purpose or changes its purpose, its very being is changed. What the business was on account of its original animating purpose ceases to be, and the institution becomes corrupted (at least with respect to its original purpose). The corruption we see in business today is the result of such a loss of purpose (soul).

But Aristotelians are not the only people who talk about the soul of business; Max Weber used the concept of spirit in his work *The Protestant Ethic and the Spirit of Capitalism*.[4] Weber's work in the original German uses the word *Geist*, which gets translated into English as "spirit". We would suggest that the notion of *Geist* is very similar to the notion of soul as we are using it. Further, the word spirit comes from the Latin word *spiritus* and is almost identical to the Aristotelian notion of *form*, where the soul or spirit or *geist* is the organizing or animating principle of the organic body having life in potency.

We can see similarities between the 20th century philosopher Ludwig Wittgenstein and Aristotle. Two central claims for which Wittgenstein is famous are the claim that "the meaning is the use" and the claim that there are "forms of life" which constitute sociological relationships. According to Wittgenstein,[5] we know what something is by knowing its use – what it is for, and that use constitutes a "form of life". To tie these notions of Weber and Wittgenstein together, let us suggest that such a spirit (*geist*), as Weber refers to, constitutes for Wittgenstein a "form of life".

The identification of form (formal cause) and purpose (final cause) is not only manifested in amorphous social organizations, it is also manifested in individual human beings. A person's purpose or ends are, in a sense, his or her soul, since those ends define what the person is. A person's mission (a collection of his or her ends) is the result of the person's commitments to particular projects and ideas. The mission one chooses defines one's identity in a more meaningful manner than a description of one's aggregate physical characteristics.

The Promise Making Animal

One of the most unique characteristics of a human person is the ability to make a promise, which requires envisioning oneself as acting in the future. The ability to look to the future and remember the past, gives a person the capacity

to make promises, and develop projects to which one commits. Those commitments, in turn, are defining characteristics of the individual. Thus, it is important to examine the nature of promises and their relationship to one's identity and soul.

Consider the following reflections on the activity of promise making by Hume and Nietzsche. David Hume, in his *Treatise on Human Nature*, calls promise making "... one of the most mysterious and incomprehensible operations that can possibly be imagined."[6]

Frederich Nietzsche at the opening of the second Treatise of *The Genealogy of Morals*, says the following about promise making: "To breed an animal that is permitted to promise – isn't this precisely the paradoxical task nature has set for itself with regard to man?"

Why is promise making mysterious and paradoxical? Reflect for a moment about what is necessary to keep a promise. To begin with, making and keeping a promise requires being able to transcend the present time, the here and now. To make a promise you must be able to look into the future and remember the past, anticipating that at some future time you will be required to perform in a certain way, whether you want to or not, because you promised to do so. You must have a memory of a past action that bound you to a yet-to-happen course of action in the future. It is our past promises which are probably responsible for most of our current activities. The ability to make promises is paradoxical in the animal kingdom for it is a very special activity, since, as far as we know, human beings are the only animals that exhibit a promise making function. It is a sign that humans are not determined solely by their hardwiring, but also by their own commitments.

What is more, promises and relationships help define what we are. Consider what happens when you meet a stranger and what you inquire about in order to find out more about him/her. How do you get to know the person? Noting and describing someone's physical attributes provides meaningful information. Those attributes are transparent. Rather, to get to know someone, you inquire about what he/she does, what sorts of relationships he/she is in and what his/her aspirations or goals are. Answers to those questions tell you who he/she is. People are defined by their activities and relationships which are the result of their projects and commitments, in short, their promises.

The ability to make promises is fundamental to our existence as relational beings. If life is "all about relationships", then life is all about promises. The act of promising establishes a relationship with another by committing that in the future we will act in a certain way toward another. Additionally, the maintenance of relationships requires our assent to implicit promises, which involve actions or emotions which are reasonably expected, but not anticipated. When you become a friend, for example, you implicitly promise to "be there" for the other. When you become a parent, you implicitly commit to helping to raise your child. When you become an adviser, financial or otherwise, you commit to examine and advise according to what is in the other's (the advisee's) best interest, even if it is not in your interest.

Worthwhile Goals

But being a promise maker is not sufficient for being ethical. People can make false promises, vengeful promises, or promises to carry out unethical activities. People can make commitments to unethical ends. So promises, to be fully ethical, must be tied to something else. They must be commitments to worthwhile goals. As we have seen, goals, as well as promises, define who one is. Upon first meeting others we are likely to either describe what we do, identify our job, or talk about our relationships or future projects and plans. Since it is these activities that define us more than anything else, we rarely describe our physical makeup. Rather, we talk about our hopes and dreams, the things that define us, shape us and give us "soul".

To return to our main point, we wish to argue that the loss of soul or a worthwhile defining purpose is a malaise that has spread across the world of business and accounts for much of the unethical behavior that so scandalizes society today. Businesses talk about vision, mission, and values, and rightly so, because those visions, missions, and values are the goals and purposes of the companies. In that sense, the goals and purposes of the corporation are the soul of the corporation, the animating and ordering principle of organization; they give life and structure to the activities of the organization. But, there can be worthwhile missions and misguided missions. Entities can be corrupted. Corporations can lose their souls. (It is serendipitous that the root of the word "corporation" means "body", the word *corpus* in Latin).

When a business strays from a worthwhile goal or purpose, it becomes corrupt. That means that, when companies forget that they are in business to provide goods and services for consumers and their animating purpose becomes pushing products and services to make a profit, they lose their vision and corrupt their souls.

Aristotle, in his analysis and evaluation of the process of accumulation of wealth, shows how this occurs. He identifies accumulation of wealth for its own sake (read "profit for the sake of profit") as one of the major sources of corruption. He thinks people who turn "... every quality or art into a means of getting wealth"[7] have corrupted themselves. "This (accumulation of wealth for its own sake) they conceive to be the end, and to the promotion of that end they think all things must contribute".[8] The corruption occurs because striving for such a goal (accumulation of wealth for its own sake) is unworthy of human beings.

Of course, Aristotle does not believe that all wealth accumulation is corrupting. It is perfectly acceptable to accumulate wealth in order to live well. But, notice in this case that living well is the goal, for which the accumulation is a mere means. It is when wealth accumulation becomes an end in itself that a problem arises. According to Aristotle, if you accumulate wealth for its own sake, you "get intent upon living only, and not upon living well."[9]

To make the point that those intent on accumulating wealth for its own sake destroy the true wealth of life, Aristotle recalls the story of King Midas. He asks, "How can that be wealth of which a man may have a great abundance and yet perish with hunger, like Midas in the fable, whose insatiable prayer turned everything that was set before him into gold?"[10] When Midas' touch turned all into gold, he realized he had missed out on the really important things in life.

A disturbing consequence of accumulating wealth for its own sake is that the accumulator necessarily loses all sense of limits. One can never be satisfied since there is not enough wealth to satisfy. A second disturbing consequence of accumulating wealth for its own sake is that there are no ethical checks on the means used to accumulate the wealth. The pursuit of wealth, on account of its limitless nature, inevitably turns every other goal or end into a moneymaking opportunity and this inversion of ends leads to greater corruption, disharmony with one's community, and profound unhappiness.

Think to what extent the exclusive pursuit of money led the Ebbers and the Fastows of the world to forget their fiduciary responsibilities to their companies, their responsibilities to their communities, to their families, and to themselves. This monomaniacal pursuit of wealth, properly called "greed", and the subsequent loss of soul or defining purpose, is a malaise that unfortunately has spread across the world of business. Frank Partnoy, in his work *Infectious Greed*, claims that part of the cause of corruption in business was due to the fact that "treasurers of industrial companies had begun operating as profit centers. Traders were left unsupervised and shareholders were ignorant of the treasurers' activities".[11] Treasurers forgot their purpose, and turned financial offices into sources of revenue, rather than turning the products of the company into the source of revenue.

The recent scandals have shown example after example of individuals who, rather than looking out for the interests of consumers, are merely looking to make as much money as possible. But is such an attitude a necessary outcome of doing business?

Cause of the Loss of Soul

Max Weber seems to think so. In *The Protestant Ethic and the Spirit of Capitalism*, Weber indicates that the drive for profit is inevitable. Unlike Bogle, Weber understands the capitalist system to be in accord with one main rule or having one spirit. "Capitalism is identical with the pursuit of [profit] and forever renewed profit by means of continuous, rational, capitalistic enterprise."[12] If Weber is right and capitalism is viewed in this way, we can see that what gives the capitalist society its shape or form of life is the single-minded pursuit of profit and forever renewed profit. But such a goal is not worthwhile. Such a goal is accumulation for the sake of accumulation. But such a capitalist form of life, through informing the body politic, defines the culture. Weber thinks that such a form of life is inevitable and predicts that "... in a wholly capitalistic order of society, an individual capitalistic enterprise which did not take advantage of its opportunities for profit-making would be doomed to extinction".[13]

If Weber is correct, then capitalism falls into the trap Aristotle warns us about. Capitalism, in its never-ending quest for profit, turns "every quality or art into a means of getting wealth. This they conceive to be the end, and to the promotion of that end they think all things must contribute".[14] The first dogma of the church of capitalism becomes the mantra: "The primary and only responsibility of business

is to maximize shareholder wealth." Business is viewed primarily as a means to getting wealth. Widespread belief in this dogma throughout the business community has two effects: the first is that it destroys "real" wealth and prevents real happiness, which Aristotle calls *Eudemonia* (human flourishing) and the second is that it creates a sense that there are no limits. Because there is never enough and the end of wealth accumulation justifies any means, there is no limit on the means used to accumulate the wealth except those forced on one by the law, and this limitation is circumscribed as much as possible.

Enron as an Example

We can use Enron as an example of this corruption. We already mentioned that Jeff Skilling set as Enron's goal as stated on its web site, "...to be the world's leading company". If our thesis of losing soul is correct, this statement reveals that Enron, by the time it made this statement, had already lost its identity as a corporation involved in the business of serving the energy needs of its customers. Enron had forgotten its worthwhile goals.

Peggy Noonan, *The Wall Street Journal* columnist, who once worked for Enron as a consultant, relates how she faced the following perplexing situation when she tried to write a description of what Enron was. In asking people at Enron, they came up with the following description:

> "It's difficult to define Enron in a sentence, but the closest we come is this: we make commodity markets so that we can deliver physical commodities to our customers at a predictable price. It's difficult, too, to talk about Enron without using the word 'innovative.' Most of the things we do have never been done before." Noonan relates other difficulties determining the purpose of Enron. "One was that the guys at the top, and in the middle, seemed unable to communicate to me exactly what it was the company was doing to make money. So I didn't absorb the information and make it understandable to others. The other was that I think I sensed a sort of corporate monomania at the top – if you can't understand what we're doing then maybe you're not too bright."

Noonan continues:

> ...but the key part was that I couldn't help them explain their mission because I didn't fully understand what their mission was. I understand what the Kenneth Cole shoe company does. It makes shoes and sells them in stores. Firestone makes tires. I couldn't figure out how Enron was making its money, what exactly it was selling, and every time I asked I got a kind of gobbledygook answer or a cryptic one, like 'The future!'[15]

Unfortunately, Enron is not unique. It exhibits symptoms of a recurrent pattern. What has happened over and over again are three acts of corporate misbehavior: the first is that companies have forgotten their purpose; the second is that markets have been manipulated, and finally, the third is that financial instruments have been misused. The second and third consequences flow from the loss of soul and turning the pursuit of profit into the primary purpose.

Qwest SWAPS

Another example deals with the trades of indefeasible rights of use (IRU). One company sells a right to use unused broadband to another company who sells its own unused broadband back to the first company. Why would companies do this? No products are exchanged and nothing is used. They were done specifically to cook the books.

Let us look at a particular example.

Global Crossing (GX) in 2001 engaged in a $100 million IRU swap with Qwest who used the IRU swap technique on its own. During the first three quarters of 2001, Qwest sold $870 million of capacity and bought $868 million of capacity to and from the same parties. These swaps appeared to be round-trip transactions, which served no purpose other than to inflate Qwest's revenues. Each company recognized the income generated in the quarter earned and deferred the expense through capitalizing them as an asset, and logging the cost as recognized expense over time, resulting in an inflated bottom line by both companies. Arthur Andersen, auditors, approved of this technique. A year later, on July 28, 2002, Qwest would file a billion-dollar-plus restatement, admitting that it had improperly recorded revenues from these trades.

Global Crossing made other SWAPS. When Roy Olofson, (Vice President of Finance at GX) conducted a study to assess the value of the firm's swaps, it was concluded that less than 20% of the swaps actually could be added to Global Crossing's network. Global Crossing found it was doing swaps that had no real business use. According to Olofson's study, $720 million of Global Crossing's $3.2 billion in revenue during the first half of 2001 was from illegitimate swaps. Olofson also claimed that 13 out of 18 of these swaps occurred during the last two days of the quarter, making it appear that Global Crossing was using the IRU swaps as a last-minute way to create fictional earnings it needed to meet quarterly expectations. Olofson did not approve of these SWAPS or these accounting methods.

There are, of course, legitimate uses for SWAPS, as well as other activities and products such as hedges, Special Purpose Entities and derivatives, for purposes such as to handle risk management. But those purposes are forgotten when accumulation for its own sake is pursued and rewarded. But why have such practices become almost commonplace?

How Did We Get Here? The Origin of Capitalism and Its Ethic

We want to suggest that we got there through the adoption of an idea which we will call the Principle of Capitalism. That principle holds that the primary and only responsibility of business is to maximize profit for the shareholder. It was popularized by Milton Friedman, but had its origins in Adam Smith.

Adam Smith in *The Wealth of Nations* asserted in a famous quotation that "It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own interest . . . "

Smith continues with the famous passage that introduces the Invisible Hand.

> We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. He generally indeed, neither intends to promote the public interest, nor knows how much he is promoting it . . . and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.[16]

The implication of Smith's statement is that the self interested pursuit of profit promotes the common good. All you need to do in order to benefit society is to look out for yourself. If one were to look at the quotations above outside of the context of Smith's body of work, this is a likely interpretation. However, Smith did not believe that human beings were simply self-interested individuals who only looked out for themselves. He did believe in the importance of sympathy for others and consideration for their interests.

> Howsoever selfish man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it . . . That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it . . . [17]

Smith states very clearly, people should work to advance their own interests. "Every man . . . is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men."[18] But where the ellipses appear in the above quotation, he adds the constraint, seldom quoted . . . 'as long as he does not violate the laws of justice.' That means justice considerations are the limit to any self-interested pursuit. How did that get forgotten?

Ethics Is Taught

Adam Smith may be, perhaps, the most misunderstood academic frequently taught in the academy today. While his famous quotation concerning the importance of self-interest is often cited, his insistence on the limitation of justice in this pursuit is frequently forgotten. While Milton Friedman recommended pursuing one's interest as far as the law allows, Smith advocates something quite different. As we have seen, we are permitted, and even encouraged, to pursue our own interests, *as long as we do not violate the laws of justice*.

However, in today's business schools, the emphasis is on Friedman's approach, forgetting Smith's constraint, and the pursuit of profit is perhaps taken even further than Friedman would take it. It seems that our up-and-coming business students are not taught to seek their interests insofar as the law allows, but insofar as they can get away with it. The idea is not to adhere to the spirit of the law, but to walk the fine line between adhering to and violating the law, to obey the law to the letter alone and no more than that. Violating the spirit of law means doing things like seeking creative

ways around the tax code, doing the bare minimum in terms of providing education to your employees on diversity and harassment, or instituting disclosure materials which are technically appropriate, but which you know will be singularly unhelpful to the consumer. And, most importantly, we train our young business leaders to hide behind the law (or behind their legal counsel) if they are ever questioned.

Ideas have consequences, and Friedman's ideas are, by and large, the ones taught in most business schools. Business schools, in both their lessons and their culture, often reflect the belief that the purpose of business is to maximize profit, or maximize shareholder wealth. The prediction of Weber about capitalism seeking ever-increasing profits seems to have taken over and we have the soul of the business culture, the *Zeitgeist* (spirit of the age) which is to maximize profit or wealth.

Since the business school as the "Provider of Executive Talent" teaches these imperatives to its students, one can say that the business schools teach a "form of life." In the culture of the business school, the primary fiduciary responsibility of any executive of a publicly held company is to maximize wealth or profit. Such a view reduces the function of managers and financial officers into a formal abstraction, in the sense that the products the managers produce and the services that they provide are irrelevant as long as they bring in the profit.

The dominant view of the purpose of business is not neutral. No view of purpose is. Such a view legitimates the institutional practices of business, and in this case, does so to such an extent that even if we are opposed to the practices, we do not have the language to critique them. Thus, we are faced with an anomaly in that even those who would claim that the purpose of business is to produce goods and services, slip into talk about business which legitimizes some of the behavior that they would not approve of in theory. We are held captive to such an extent that even those who critique the dominant view fall under its spell. To take some examples, note how Laura Nash, who would otherwise be a proponent of the production of goods and services as the point of business, talks about the purposes of business in an unguarded moment, "The good corporation is expected to avoid perpetrating irretrievable social injury (*and to assume the costs when it unintentionally causes injury*) while focusing on its purpose as a profit making institution."[19] Or, note how Tom Donaldson in a discussion format talks of the purpose of business, "The fundamental purpose of business is to make a profit for its owners, but I would say that's not its only purpose."[20]

How widespread is this maximization of profits view? The fact that it shows up in our ordinary discourse is clear enough. But it also shows up in our learned discourse. In any standard financial management text the goal of the firm is taken for granted. There is evidence of this approach in the very text books that students in business schools use. Consider the following quotations from three texts chosen at random. "Three economic goals guide the strategic direction of almost every business organization. Whether or not the mission statement explicitly states these goals, it reflects the firm's intention to secure survival through growth and profitability."[21]

But notice, the words "Survival, Growth and Profitability" are mere abstractions. Setting the concept of profitability aside as an explicit goal, consider the other two goals: survival and growth. One needs to ask, survival and growth for what?

Consider a second example, "Good managers find ways to make their organizations successful. The ways to do this are to build competitive advantage in the forms of cost-competitiveness, quality, speed, and innovation . . . . The idea is to keep you focused on a type of 'bottom line' to make sure you think continually about 'delivering the goods' that make both the manager and the organization a competitive success."[22] In this quotation, we can see clearly that the goal is competitive success, and this means to capture the "lion's share" of the market. This is important since larger market share translates into larger profits. It is important to note that success is not defined as making useful products or providing helpful services – the point is to beat out the competition.

We can conclude that profit maximization is the goal that reigns and is taught in most business schools, and that this goal permeates the culture of the business schools. It teaches executives to turn business entities into merely financial entities. It is perhaps for that reason that Vanguard will not hire MBAs. They will send employees off to get an MBA after they have learned the company and its products, but not before. For Vanguard, concerned with the good of the consumer, it is better someone learn the particulars of an industry and company, and what it is for, before they begin to apply abstract principles to operations.

What Is The Purpose of Business?

We have indicated that we believe ideas have consequences and that the ideas being taught in business schools and perpetuated in board rooms and in the public forum in general by investments experts are wrongheaded. Our further analysis, which we have demonstrated elsewhere,[23] is that this wrongheadedness rests on a fundamental mistake about what ethical theorists call justificatory whys and explanatory whys.

If I ask why you did something, I might be asking for an *explanation* of your action. In other words, I may be looking for the psychological motivation behind your action. However, in asking why you did something, I might be looking for a *justification* of your action. Ethicists call this the difference between explanatory whys and justificatory whys. So, you can explain that you helped a stranger because it made you feel good, or that you helped a stranger because it was the right thing to do. Purposes or worthwhile goals provide justificatory reasons for doing something. But we are all aware of the fact that people can do things that are the right thing to do for a multiplicity of motives. For example, I can give alms to get a tax break, or to feel good, or to salve my conscience.

When one looks at the discussion of the purposes of business and sees these purposes accounted for as the maximization of profit, it is clear that this discussion is referring to Smith's insistence that it is not from benevolence that the baker bakes our bread, but from his own interest. But the "from benevolence" is an explanation, not a justification of the baker's motives. One could ask why bread is made,

prescinding from considerations of the baker's motives. The answer to that would be something like, "bread is a staple, necessary in most cases, for living. We make bread so people can eat." That is the purpose of bread.

In the case of business, Adam Smith has two accounts. The first talks about motivation and claims that participants in the markets act from self-interest. But elsewhere, he talks about the overall purpose of trade and production. That is the second account, and here he clearly asserts that all this activity is for the sake of producing goods for consumers. Thus, we see that the justification of all this activity is the production of goods and services, and the motivation is self-interest. To mix motives up with purposes is like confusing the destination of a train, say London, with the engine of the train, which moves the train to London.

This is why Smith is perfectly consistent when he says, "Every man . . . is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men as long as he does not violate the laws of justice."[24] Justice equates with the well-ordered society, in the sense that each man has what he ought to have (what he deserves) and in the well-ordered society, the purpose of business is to create goods and services, i.e. to benefit society. When the pursuit of our own interest begins to harm society, and when the pursuit of profit begins to harm society, this pursuit must be checked. Selfishness, which is self-interest at the expense of another, is a moral flaw. But a view that gives self-interest primacy must inevitably sacrifice justice to the drives of self-interest.

The Professions

What holds for businesses holds also for professions. Once the primary purpose of a profession is overridden by concerns to make money or profit, the profession becomes corrupted. One must ask the purpose of the professions, and if the purpose of the profession is to benefit society, then engaging in that profession obliges one to fulfill its purpose. If this purpose is ignored, society is damaged. This has been clearly shown in recent accounting scandals. Consider the profession of accounting. The function and role of the accountant is to give as accurate a picture as is possible of the finances of companies.

According to John Bogle, the purpose of accounting which is a public good, protecting sound securities markets, can be summarized in the following way:

> Sound securities markets require sound financial information. It is as simple as that. Investors require – and have a right to require – complete information about each and every security, information that fairly and honestly represents every significant fact and figure that might be needed to evaluate the worth of a corporation.

Bogle continues: To produce this public good, the accountant must dedicate himself or herself to the public good, and not to any private interest.

> It is unarguable, I think, that the independent oversight of financial figures is central to that disclosure system. Indeed independence is at integrity's very core. And, for more than a century, the responsibility for the independent oversight of corporate financial statements has fallen to (the) public accounting profession. It is the auditor's stamp on a financial statement that gives it its validity, its respect, and its acceptability by investors. And only if the auditor's work is comprehensive, skeptical, inquisitive, and rigorous, can we have confidence that financial statements speak the truth.[25]

Arthur Andersen's Failure

In recent history, Arthur Andersen forgot its public purpose, and we would argue, lost its soul. Lynn E. Turner (SEC) says this quite clearly.

> As an auditor, Arthur Andersen had a clear mission, to attest that the financial statements they were auditing reflected what was really going on in the company. That mission was shunted aside in the name of fees.[26]

The evidence is overwhelming that Andersen turned its attention away from its auditing function and made it secondary to the more profitable consulting function. Dependence on those consulting functions compromised the independence of Andersen in attesting to the reliability of their clients' books. Turner puts this succinctly:

> Where as recently as the early 1980's, the accounting firm's principal source of revenues were from the performance of audits, a survey of 563 of the Fortune 1000 companies showed that for every $1 of revenues generated for the performance of the review and audits of the quarterly and annual financial statements in 2000, $2.69 in revenues were generated by providing other services. Those other services accounted for 73% of total fees billed by the accounting firms to the companies surveyed.

In accord with our analysis, it is clear what happened. Andersen, in its quest to accumulate wealth, forgot what its purpose was and lost not only its soul, but its very existence. They had forgotten why the company was founded. The value of the accountant is in the public purpose for which the accountant operates. The demise of Andersen is predicated on its loss of its soul. It is ironic that in his 1932 Lecture on Business Ethics, Arthur Andersen said the following:

> To preserve the integrity of his reports, the accountant must insist upon absolute independence of judgment and action. The necessity of preserving this position of independence indicates certain standards of conduct. If the confidence of the public in the integrity of accountants' reports is shaken, their value is gone.

The public purpose of accounting is clear. The auditor is to be the watchdog and should protect the public by assuring that financial statements reflect the worth of the company. The unchecked search for profit will lead to a temptation and conflict of interest that inevitably will cause the betrayal of the primary purpose, and the betrayal of the purpose implies forgetting what one is and losing one's soul. The company may (it did not in Andersen's case) continue to exist, but it will not exist as the company it was, nor will it live as a company in the expectation of doing what it was meant to be. Literally, the meaning that gave it its identity is gone.

Notes

1. Mark 8:36
2. John C. Bogle, *The Battle for the Soul of Capitalism* (New Haven: Yale University Press, 2005).
3. Aristotle, *Physics*, Book II, Chapter 7 (198a24-27).
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Corporate Culture and Organisational Ethics

David Smith and Louise Drudy

Introduction

Organisational ethics and its impact on corporate culture has become an area of serious investigation for many organisations. An interesting example of this is the document entitled *Acute Care Accreditation Scheme: A Framework for Quality and Safety* issued by the Irish Health Services Accreditation Board in 2005. In this, the question of corporate culture and organisational ethics is addressed. They state that ethical issues relating to business, professional behaviour and care/service delivery must be dealt with through defined structures and processes to ensure appropriate adherence to ethical responsibilities. All ethical decisions must be in keeping with best practice, legislative requirements and the organisation's values.[1] This statement focuses on the core elements in creating a corporate culture and the essential characteristics of organisational ethics. It also alludes to the potential areas of conflict which can arise between different constituencies within an organisation and gives some broad directions on how these might be addressed.

Health care organisations would appear to be an appropriate example in which to investigate the application of organisational ethics as there are three identifiable constituencies: patients, health care professionals and health care managers. All three constituencies have an overall common aim – the delivery and reception of quality health care. Yet, the way in which this is achieved can often involve conflicts, which, if not resolved, can undermine the corporate culture and the ethical values of the organisation.

Organisational ethics can be defined as the articulation, application and evaluation of the consistent values and moral positions of an organisation by which it is identified, both internally and externally. These values are derived and developed within an organisational culture where the mission and vision of the organisation are consistent with its expectations for professional and managerial performance and consistent with the goals of the organisation as they are actually practised. It also consists of a process or processes to address ethical issues associated with the

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business, financial and management areas of the organisation. In addition, organisational ethics deals with professional, educational and contractual relationships affecting the operation of the organisation.[2]

An organisation can be analysed formally by looking at the personnel arranged in a hierarchy of authority. Those in policy-making higher positions are regarded as professional managers. An informal examination looks at the culture which is the glue of the organisation. This includes the values and beliefs of all participants, as well as the internal and external interpretation of their beliefs. These may include the difference between policy and actual practice and the psychological predisposition of the members of the organisation.

The above definition can be applied to most organisations. However, it is in the actual application of these values to a particular organisation that some of the strengths and weaknesses begin to emerge. Consideration of ethical issues in health care institutions has recently become an important and frequent part of discussions around health care delivery. A number of factors have contributed to this growth, including research into the mapping of the human genome, techniques for assisted reproduction and improved life support, which offer new opportunities for treatment but which also raise ethical concerns. Recent official government investigations in Ireland and the United Kingdom such as enquiries into organ donation and retention,[3] HIV and Hepatitis C infection in the blood transfusion service,[4] the removal of organs of dead children at post-mortem examination without parental consent at Alder Hey,[5] the paediatric cardiac surgery inquiry at Bristol[6] and the Lourdes Hospital[7] enquiry in Ireland, have all focused as much on the ethical integrity of clinicians and health care institutions as they have on clinical competence and professional management. While it is evident that support for health professionals on ethical issues in clinical care already exists in the form of guidelines from national bodies and professional organisations, the experience in North America and in the United Kingdom has demonstrated that local support services may be needed to provide assistance that is responsive and relevant to local circumstances. While cases like these unfortunately focus on fraud and abuse as central issues in ethics, these scandals have prompted hospital management to ask what more should they be looking for?[8]

How can health care managers and health care professionals better carry out their organisational ethical oversight? Patients and governments demand quality services, so the effectiveness of health technology and the appropriateness and applicability of new technology need to be continuously assessed for public confidence.

Ethical Values

Organisations comprise people with different philosophical values, cultural adherences and religious beliefs. To address these divergences, different professional organisations within health care have developed general principles to examine ethical issues which require assessment. These principles are rooted in the major ethical

theories of utilitarianism, kantianism and virtue ethics. Before discussing the application of organisational ethical criteria, it may prove helpful to examine these general principles which influence health care delivery and business practice.

Professional Codes

Health Care Ethics[9]

To address the philosophical, religious and cultural diversity within society, health care has developed a set of general principles to serve as an analytical framework of basic principles that express the general values underlying the rules in common morality and guidelines in professional ethics. Three general moral principles have proved to be serviceable as a framework of principles for health care ethics: respect for autonomy, beneficence, and justice. Yet it is important to note that these principles should not be construed as jointly forming a complete moral system or theory, but rather providing the beginnings of a framework through which we can begin to reason about problems in health care ethics.

Autonomy can be defined as deliberate self-rule and is a special attribute ascribed to all moral agents. Respect for autonomy is the moral obligation to respect the autonomy of others in so far as such respect is compatible with equal respect for the autonomy of all potentially affected parties. In health care, respecting a person's autonomy has a number of important implications. How much information needs to be given to a patient before commencing a procedure or treatment? Can patients request procedures which the health care professional finds ethically repugnant and does the health care professional have to comply with this request? Examples of this would be the prescribing or dispensing of contraceptive medications. Or, the assisting of a patient to die in what is termed physician-assisted suicide. Can a patient request costly interventions which, in the judgement of the health care professional, would be futile treatment? Respecting autonomy also raises important questions for confidentiality. This is particularly relevant with regard to genetic information. Does a person's family have a right to this information if it has potential implications for their own health? Questions continually arise as to what kind of information an employer or insurance company is entitled to know about a particular person.

The principle of beneficence is closely linked to the principle of non-maleficence as found in the traditional Hippocratic moral obligation of medicine to provide net medical benefit to patients with minimal harm, that is, beneficence with non-maleficence. Health care professionals need to ensure that they can provide the benefits they profess to be able to provide. They need to make sure that they are offering each patient net benefit. To do this they must respect the patient's autonomy, for what constitutes benefit for one patient may be harm for another. Although there are some general norms of human needs, benefits and harms, people vary in their individual perceptions and evaluations of their own needs, benefits and harms.

Jehovah's Witnesses' attitudes to blood are a vivid illustration of this variability. Another example would be a decision by an elderly person to forego aggressive therapy for cancer. The reason given is that they do not want to put themselves through a potentially debilitating regime of treatment which would significantly diminish their quality of life.

Thus, even to attempt to benefit people with as little harm as possible requires, where possible, discovery of what the proposed beneficiary regards as a benefit, regards as a harm and regards as the most beneficial and least harmful of the available options. Even if the person agrees that one available intervention would be more beneficial than another, he or she may simply wish to reject the beneficial intervention. It may be because of an idiosyncratic basis of assessment of harm – for example, the autonomous belief that a blood transfusion will lead to eternal damnation or some equivalently massive harm. Or, it may be a relatively trivial assessment.

When justice is considered, respect for autonomy must play an important role. Justice can be subdivided into three categories: fair distribution of scarce resources (distributive justice) respect for people's rights (rights-based justice) and respect for morally acceptable laws (legal justice). In health care, distributive justice cannot avoid a discussion of health economics and its application on a global, national and individual level. Legal justice and respect for morally acceptable laws have generated a lot of discussion recently when the issue of the involvement of doctors in torture began to be addressed. There is evidence that health care professionals have failed to report to higher authorities wounds that are clearly caused by torture and that they have neglected to take steps to interrupt this torture. In addition, they have turned over prisoners' medical records to interrogators who could use them to exploit prisoners' weaknesses or vulnerabilities. There is also evidence concerning the delay and possible falsification of death certificates of prisoners who have been killed by torturers.[10]

Business Ethics

There is no special code of business ethics; rather, there are questions and dilemmas about remuneration, whistle-blowing, product safety and so on, which arise mainly in the course of business activity, but which can be dealt with in terms of moral principles. And there are values which we intuitively recognise as such. Honesty, reliability, just and fair dealing are recognised as correct behaviour, just as lying, cheating, stealing, cowardice and irresponsibility are recognised as incorrect behaviour. Breaking agreements, treating people unjustly, telling lies, taking more than one's due are wrong – in business as in any other aspect of life.

However there are some moral principles which are particularly relevant to business dealings. The first principle to consider is common decency. Although the more spectacular and public examples of unethical behaviour in business – insider trading or various kinds of corporate tragedy[11] – are the issues which make the headlines; it

is in the normal, everyday activities of the business that ethical principles need most to be applied. It is largely about how people treat other people within the company that the ethical climate of the business is set. Without this awareness of personal relationships, the moral context of the business is lost and the grosser forms of unethical behaviour can emerge almost unchallenged. Because of this, one of the basic principles of business ethics is simply that of *common decency*. This is the maintenance of standards of ordinary decent behaviour by all to all associated with the business. It is as important to be honest with suppliers as it is with shareholders, and to be as decent with customers as with employees.

Common decency does not mean being nice to people or being altruistic but treating people in a way which allows their legitimate expectations to be met, so liberating them to pursue their roles in the business in the secure knowledge that their contributions will be recognised and their expectations fulfilled. Decency means honesty and responsible treatment of those with whom one comes in contact and this emerges as a principle from the identified aim of the business itself. If stakeholders cannot see that they will be dealt with honestly and in a responsible manner, there is little reason why they should commit themselves to the success of the business.

The second principle to consider is justice. This value emerging from the aim of business itself is justice in the distribution of rewards, privileges and responsibilities. Distributive justice relates rewards to contribution so that, as far as possible, those who contribute most to the business and the fulfilment of its aim will be rewarded proportionately more than those who contribute less. The purpose of a business is to achieve long-term owner value, and pay and promotions should reflect contribution to this.

The unique development of a declaration on business practice[12] by Christians, Muslims and Jews highlights four key concepts which are found in the literature of these faiths and form the basis of any human interaction. They are: justice (fairness), mutual respect (love and consideration), stewardship (trusteeship) and honesty (truthfulness). In applying them to business practice, the three faith traditions state that justice can be defined as just conduct, fairness, exercise of authority in maintenance of right. Fair dealings between each other and between believers and others are constantly reiterated in the Scriptures. The second principle – mutual respect or love and consideration for others – is also inherent in the moral teachings of each religion. The word love has many meanings in most languages. But, as is clear from the reading of the Scriptures, the God of justice and mercy is also the God of love. What the Scriptures express as love in business means a mutual respect or reciprocal regard – "love thy neighbour as thyself" – that exists between two individuals. The application of this has come to mean that self-interest only has a place in the community in as much as it takes into account the interests of others. "My neighbour" in the business context can be defined as any person (individual or corporate) with whom the organisation comes into contact in the course of business life. Of paramount importance in this respect is the employee.

A third principle shared by all three faiths is that of *stewardship* (trusteeship) of God's creation and all that is in it. The Scriptures testify to the beauties and wonders of nature as signs of God's goodness and providence. Peoples' use of creation is determined as stewardship and they are charged with its care and proper use. The fourth principle inherent to the value system of each of the three faiths is *honesty*. It incorporates the concepts of truthfulness and reliability and covers all aspects of relationships in human life – thought, word and action. It is more than just accuracy, it is an attitude which is well summed up in the word "integrity".

In general, business ethics will be served by the principles of decency (which includes honesty, responsibility and reliability) and justice (which includes fairness). These values will be the ones consistently referred to in analysing business ethics problems. They may have slightly different emphases in different contexts but they are generally applicable in all business situations.

The review of the principles which govern business ethics and health care ethics demonstrates a number of common features. But more importantly, it also highlights the potential for diversity and conflict. Business ethics tends to put the aim of the company or organisation as primary, while health care tends to place the emphasis on the individual patient. What happens when the needs of the individual conflict with the needs or plans of the organisation? Another potential area of conflict is between the values of the managers and health care professionals and the Mission or Values of the organisation.

Organisational Structuring

In Ireland, as in many other parts of the world, most health care organisations have undergone a process of accreditation of their practices. Private hospitals have been accredited by the international Joint Commission on Accreditation of Health Care Organisations.[13] The public sector has been accredited by the Irish Health Services Accreditation Board.[14] The Joint Commission's 2003 document does not have a specific chapter on organisational ethics but it is broadly defined as those aspects of the operation of the health care organisation that have to do with the ethical responsibility of the organisation itself to conduct business and patient care practices in an honest, decent and proper manner.[15]

Organisational ethics is addressed more specifically in the section entitled "Leadership and Partnership of the Acute Care Accreditation Scheme" of the Irish Health Services Accreditation Board. It states that ethics provides standards and rules for conduct; it interprets and clarifies fundamental values, virtues, and principles that have proven themselves over the centuries to be reasonable and beneficial to humankind. Health care facilities may encounter substantive ethical problems such as maintaining their mission or institutional autonomy in the face of fiscal pressure, resource allocation, responding to the needs of the community, and changing structures of management. This qualitative information does not exhaust the list of substantive issues that are "ethical"; but they should be warnings that when an issue falls into these areas there needs to be an ethics review.

Several important developments concern governance structures. These include cost containment, prospective payments and reduced reimbursement, length of stay, competition, and bed supply. The problems raised by these issues have threatened the ability of hospitals to pursue their mission-related activities. Additionally, hospitals have become the site of many complex moral choices including life, death, and health care decision-making.

The "Leadership and Partnership Standards" are also concerned with organisation and management in relation to the changing needs of the community, the organisation's partnerships and culture, governance, managing risk and resources. The intent of the organisational ethics section is to have defined structures in place to ensure ethical responsibilities are adhered to in keeping with best practice, legislative requirements and the organisation's own ethical guidelines. Therefore, defined structures must be in place for dealing with care or service issues in care or service delivery; these need to include ethics committees, education and training for ethical decision-making and non-compliance, complaints and evaluation.

Mission and Values

An essential aspect in the original definitions of organisation ethics and in the standards of accreditation are mission and values. Most organisations have spent a significant amount of time developing their mission and value statements. An examination of four health care organisations in Ireland will identify these core values.

The Bon Secours Health System in Ireland (BSHS) is a private Catholic health care organisation. Its mission is to be a leader in Catholic Health Care in Ireland, to care for the sick, the dying and their families within a Catholic ethos. In developing core values, the BSHS states that the dignity and uniqueness of each person is recognised, and they seek to provide high quality, holistic care which is characterised by compassion, respect, justice and hope while maintaining a patient-friendly environment in their hospitals. Through their mission statement they hope to empower staff to reach their full potential, reach out compassionately to the community and be innovative and responsive to new developments in health care.[16]

Beaumont University Hospital is a public teaching hospital with a mission to deliver best quality of care to patients. It goes on to state that it is continually working to develop and to improve the way care is delivered and to enhance the environment in which members of staff work.[17]

St Vincent's University Hospital in Dublin is a voluntary hospital.[18] Its mission is to strive for excellence in meeting the holistic needs of patients in a caring and healing environment in which the essential contribution of each member of staff is valued. The values of human dignity, compassion, justice, quality and advocacy, rooted in the mission and philosophy of the Religious Sisters of Charity, guide the work in St Vincent's University Hospital. Within the foregoing context, the hospital makes every effort to maintain excellence in clinical care, teaching and research.

The Daughters of Charity Services for People with an Intellectual Disability[19] give priority to people with the greatest need, and recognise that persons with intellectual disabilities possess a unique dignity and potential, and are committed to the promotion of justice and to develop this potential so that they can take their place in society in a meaningful way. Their core values are service, respect, excellence, collaboration, justice and creativity.

As can be seen from these four mission statements, certain values are common to all of them. They include the dignity and uniqueness of the patient, a holistic vision of care which encompasses compassion, respect and justice. There is also emphasis on collaboration between different professional groups as well as the empowerment of the staff and a desire to show that staff members are valued. They include the element of research and teaching. They are all aspirational in that they want to deliver the best quality of care within their respective institutions.

What is also evident is that the ethos of the organisation is fundamental to how the mission statement and core values are developed and implemented. An organisation with a particular religious ethos does raise particular issues for the delivery of care. One of the most common issues which arise in some institutions with a religious ethos is the non-therapeutic sterilisation of men and women. While the professional staff may be willing to deliver this service, the ethos of the hospital does not permit it. Another example would be the provision of assisted reproduction techniques such as in vitro fertilisation. Recently, there has been extensive debate regarding stem cell research in health care organisations which have a particular ethos.[20] Maintaining a particular ethos may be acceptable in a private facility in which the staff and patients are willing to accept the limitations imposed. But it becomes more polemical when the state is the major source of funding for the institution.

If the mission and values of an organisation are to be fundamental then they must influence the process to address ethical issues associated with the business, financial and management categories of health care as well as the professional, educational and contractual relationships affecting the operation of the health care organisation. To develop and maintain a positive ethical climate, organisational ethical activities must encompass all these different aspects of the operation. It is here that there are areas of potential conflict.

The core principles of business ethics are common decency and justice. Yet, health care organisations are unlike other, non-health-care-related businesses and organisations in several ways. They are not identical to health care professional associations and, as organisations, they are distinct from the professionals who provide medical care in these and other settings.

As a business, a health care organisation is distinctive in that the payer for services, be it the state or the insurance company, is commonly not the "consumer" of the service provided. This means that the major decisions about access to and cost of health care interventions are at least practically made by an entity that may be more interested in cost distributions than in the availability and quality of interventions for individual patients.[21] Examples of this would be the decision not to make certain drugs available to patients or to limit costly procedures which will only benefit a small number of patients.

In many other businesses, the role of each stakeholder (stockholders, customers, payers, employees, contractual partners, the local community and the larger society), can be clearly identified. Along with this identification comes mechanisms for each stakeholder to have appropriate decision-making authority in the aspects of the business that affect the stakeholder. This authority is maintained by the assigning of rights and responsibilities based on the particular role. This is made difficult in health care organisations because of the confusion of roles of the consumer (patient), the buyer or payer, the health care professional, and the manager. Organisational ethics must be able to address not only the often divergent interests of these individuals and groups, but also the role confusion, the markedly different levels of power and authority, and the greater level of social obligation of the health care organisation.[22]

Traditionally, professional health care ethics is based on the ideal that a health care professional should always be an advocate for the particular patient and act in that patient's best interest. The ideal of advocacy for individual patients has always been and continues to be a strong influence on the perceptions and reality of modern health care. Health care professionals, who are employees or who have other contractual arrangements with a health care organisation, have their own sets of professional ethical obligations. These are independent professional standards, established by professional associations and cannot be controlled by the health care organisation, but are important factors in the care provided by any health care organisation. The ideal of advocacy for individual patients has always been and continues to be a strong influence on the perceptions and reality of modern health care.[23]

A good example of a professional's responsibility to his or her patient is seen in *A Guide to Ethical Conduct and Behaviour* of the Medical Council of Ireland. An examination of the ethical guide demonstrates that the doctor's responsibility to his or her patient is always primary.[24] Similar views are also found in *The Code of Professional Conduct for each Nurse and Midwife*.[25]

Having briefly examined the role of the professional health care manager and the health care professional, we turn now to a third important constituent, namely, the patient. In different countries patients have formed organisations which demand that their rights are recognised in areas which were traditionally left to health care professionals. Patients' rights movements have addressed important issues such as the process of informed consent and refusal, truth-telling and confidentiality. They have also been active in decision-making concerning futility of care and end of life decision-making. Individual access and allocation of resources have also been high on their agenda.

Health care managers are obliged to follow the rules of business and to put the good of the organisation to the forefront. They are also responsible to governmental agencies and the insurance industry for the way their institutions are administered. Health care professionals, on the other hand, have traditionally put the good of the individual patient to the forefront. This could lead to a clash of values between management and health care professionals. The patient as a consumer is another interested party. Thus a three-way conflict can arise between the patient, the health

care professional and management or a two-way conflict between the patient and management. The most obvious area of potential conflict is in the allocation of resources. Areas where disputes commonly arise are in the area of transplant surgery, the management of Intensive Care Units, expensive experimental surgical procedures, recruitment of expertise which may not be a priority health need, care of the elderly and the prescription of expensive medication.

Yet a health care organisation's primary mission is to deliver health care to patients or a defined patient population. In health care, organisational ethics is the integration of patient values, business ethics and professional ethics. Organisational ethics must work to integrate these perspectives into a unified organisational programme that provides and sustains a positive ethical climate within each health care organisation. To achieve this, the organisation must institute processes to ensure that this definition is understood and advanced by all in the organisation.

One of the ways of ensuring that this process of integration is activated is through the establishment of Clinical Ethics Committees.[26] These committees can address the threefold dimension of the organisation – patients, professional bodies and business. Generally these ethics committees, working within the mission and values of the organisation, commit themselves to the following functions: to provide support, consultation and clarification on emerging ethical issues in the delivery of contemporary health care; to respond to appropriate requests for case consultation; to provide assistance and guidance in the development of protocols and procedures to members of departments and multidisciplinary patient care teams; to provide education and reflection on ethical issues in health care, as well as guidance in the ethical aspects of the development of policies and procedures within a hospital; to be a resource to staff, patient, doctors and the health care team; to ensure that all decision-making remains where traditionally it has been, i.e. with the patient, family, doctor and the health care team.

These committees have addressed a number of core issues which arise. Examples of this could be the issue of consent and confidentiality. They would also examine issues regarding Do-Not-Resuscitate directives. Issues concerning the allocation of resources are often examined. Access to cosmetic surgery is often discussed under the remit of the allocation of resources. Invasive cosmetic surgical operations performed on healthy bodies for the sake of improving appearance lie far outside the core domain of medicine as a profession dedicated to saving lives, healing, and promoting health. These cosmetic procedures are not medically indicated for a diagnosable medical condition. Yet they pose risks, cause side effects, and are subject to complications, including pain, bruising swelling, discoloration, infections, formation of scar tissue, nerve damage, hardening of implants, etc.[27] Moreover, cosmetic surgery is a consumer-orientated entrepreneurial practice, heavily promoted by advertising. In an acute hospital, cosmetic procedures can make heavy demands on already stretched resources.

In some health care organisations which have a particular religious or cultural ethos, clinical ethics committees also attempt to ensure that the ethos of the organisation is maintained. This can be particularly difficult for a number of reasons. If the ethos of the organisation prohibits certain procedures which are perfectly legal

in the State, how does it reconcile the state funding which it receives? Another issue which arises is the withdrawal of treatment from patients. If the clinical judgement is that the patient will not survive without assisted ventilation but the ethos of the institution demands that this be maintained, who makes the final decision? Often, in circumstances like this, the ethics committee's role is to review the ethos and the current situation and attempt to give advice which is beneficial to the patient. In many instances the ethics committees are seen as the interpreters of the ethos.

Some clinical ethics committees also see a role for themselves in conflict resolution between various constituencies. If developing human flourishing is understood to be an integral part of their functioning, then an ethics committee can ensure that by developing a good ethical environment, the organisation will project itself to the public as an ethical organisation which is good for business.

Conclusion

If organisational ethics is to have real meaning and the ability to carry out its mandated tasks, it must be based on a mission and a vision of the ethical climate under which the organisation defines itself by its ethical values. The organisation must institute processes to ensure that this definition is understood and advanced by all in the organisation. This requires integrating and supporting patient, business and professional perspectives and mediating among them when integration or mediation is required to advance a positive organisational ethical climate.[28]

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Values in the Marketplace: What Is Ethical Retailing?

Paul Whysall

Retailing is pivotal to modern societies. It provides basic goods for our subsistence, gives access to items we consume to define our individuality, anchors town and city centres, allows new technologies to enter society, offers substantial employment and underpins a competitive economy. In such ways, retailing raises major ethical questions, yet remains largely unregulated, with market forces usually being assumed to work freely and beneficially. Despite this market orientation, recent years have witnessed growth in forms of retailing that claim a higher moral position: Fair Trade initiatives, green retailing, non-animal tested products, "no sweat" apparel, ethically-traded goods.

This chapter places retailing in a wider context by addressing four questions:

- Why have ethical issues become prominent in retailing at this particular time?
- What philosophical/conceptual bases exist for addressing ethical issues in retailing?
- Are ethical issues and concerns currently arising in retailing addressed by those bases?
- How, then, might we conceptualise ethics in retailing?

In answering these questions, examples from current retail practice are offered and discussions are linked to wider literatures where more details can be found.

Why Have Ethical Issues Become Prominent in Retailing at This Time?

Mahoney (1994) suggested four responses could be given to the question: "What makes a business company ethical?" Appearing ethical was fashionable; external pressures encourage companies to be more ethical; appearing ethical would prove profitable; and "the obvious ethical reply, that it is considered the right

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thing to do". Mahoney contended a company would only be acting ethically if its reasoning was ethically based, begging the question what are the "right" ethical grounds, even if, as he suggested, consequential considerations were excluded.

All four reasons can be evidenced in modern retailing. Undoubtedly, a fashion effect accompanies some quasi-ethical initiatives in retailing. Web searches reveal many press and magazine articles on the topic of "ethical chic". When The Body Shop showed the profitability of non-animal tested, environmentally friendly products, many competing retailers quickly jumped onto that bandwagon with similar ranges. Although critics portrayed this as superficial "Greenwashing" (Entine, 1995), a fashion for ethical initiatives was evident.

External pressures on retailers to act ethically are numerous. Campaigns have highlighted animal testing of products, trading with "oppressive" regimes, exploitation of cheap labour in developing countries, selling unhealthy foods and so forth. The Internet facilitates protest activity, as sites such as Corpwatch.org demonstrate. Such campaigns do not just exist on the fringes of society. In Britain, the charity Oxfam has campaigned against sweatshop clothing retailing, while Christian Aid targeted supermarkets' Third World sourcing policies (Whysall, 2000A). Recent movies such as "Super Size Me" and "Wal-Mart: the high cost of low price" suggest anti-retailer messages may have a widening audience.

The mantra "good business is good business" has not always been proven in terms of more ethical practices leading to improved profitability. When Moore (2001) analysed UK supermarkets, a negative relationship emerged with financial performance apparently deteriorating as social performance improved. Yet, this somewhat tentative finding was contingent on several methodological issues, and a positive relationship emerged when financial performance was lagged. However, a "business case" is often made to justify ethical trading initiatives. Do-it-Yourself retailer, B&Q's first environmental review argued "it is in the interests of B&Q as a business to be an environmental leader", identifying "an opportunity to profit by being ahead of its competitors on a course that they will inevitably be required to follow" (B&Q, 1993). Recently, the Chief Executive of one of the UK's leading retailers argued "there is no question at all of any clash between our desire to be acknowledged as a leader in Corporate Social Responsibility (CSR) and the commercial imperatives we face" (Boots, 2005). If linkage between ethical and financial performance in retailing has proved elusive, the reverse is easier to show. Retailers have suffered seriously as a consequence of mistreatment of key stakeholders, with the negative fallout from "stakeholder mismanagement" proving widespread and long-lasting (Whysall, 2000B).

Claims to be behaving more ethically because it is the "right thing to do" will not convince sceptics who see such claims as either a "cloak" hiding commercial motivations (Friedman, 1970) or marketing-led image building (Entine, 1995). Yet a prima facie case exists that retailers claim to be pursuing more ethical agendas, evidenced by claims in corporate communications (Whysall, 2004). Thus, Mahoney's framework for explaining the rise of ethics up corporate agendas seems specifically applicable to the retail sector.

What Philosophical/Conceptual Bases Exist for Addressing Ethical Issues in Retailing?

Historically, philosophers have reflected on retail transactions, if sometimes indirectly using retailing to exemplify wider points.

Plato's reports of Socrates' discourses set retailing in societal context. In *The Republic*, Socrates conceived a city-state starting with four essential trades (weaving, husbandry, shoemaking and building), plus carpenters and smiths to make tools and herdsmen to tend animals. No city could be self-sufficient, so trading surpluses had to be produced, requiring merchants to trade between cities, and sailors for transportation. Trading required a marketplace and money, leading to a need for retailers:

> Suppose now that a husbandman or an artisan brings some production to market, and he comes at a time when there is no one to exchange with him – is he to leave his calling and sit idle in the market-place?
>
> Not at all; he will find people there who, seeing the want, undertake the office of salesmen. In well-ordered States they are commonly those who are the weakest in bodily strength, and therefore of little use for any other purpose; their duty is to be in the market, and to give money in exchange for goods to those who desire to sell, and to take money from those who desire to buy.
>
> This want, then, creates a class of retail-traders in our State. (From *The Republic*, 6, Jowett translation, at http://www.classicallibrary.org/plato/dialogues/republic/book2.htm)

Retailers, then, have an essential but unglamorous role.

To Aristotle, retailing was an essentially unethical activity. In the *Nicomachean Ethics*, Aristotle explores just and unjust exchanges. Just exchanges are crucially seen as intermediate between the states of gain and loss.

Aristotle describes a builder and shoemaker seeking to establish proportionate equality between their products. Money exists to make diverse things comparable, enabling a mutually agreed number of shoes to be exchanged for a house. Mutual demand binds the system together (Maitland, 1994); if people did not need others' products, there would be no exchange. Virtuous exchange occurring openly would not necessarily require a retail intermediary. However, in the *Politics*, Aristotle directly addresses retailing:

> . . . retail trade . . . is justly censured; for it is unnatural, and a mode by which men gain from one another. (From http://classics.mit.edu/Aristotle/politics.1.one.html accessed 27 January 2008).

Objects have a "proper", intended use for which genuine need exists, and a secondary "improper" use. Exchange, which is "natural", arises out of some having too much and others too little, but that does not require retailers per se:

> . . . we may infer that retail trade is not a natural part of the art of getting wealth; had it been so, men would have ceased to exchange when they had enough (op. cit.).

Retailing originated for Aristotle in the use of coin to replace "natural" exchanges between diverse producers with complementary needs:

> retail trade; which was at first probably a simple matter, but became more complicated as soon as men learned by experience whence and by what exchanges the greatest profit might be made. Originating in the use of coin . . . riches is assumed by many to be only a quantity of coin, because the arts of getting wealth and retail trade are concerned with coin (op. cit.).

The retailer, for Aristotle, is not engaged in virtuous (ethical) exchange, but in accumulating wealth, an unvirtuous activity.

In *On Duty*, Cicero explores the ethical responsibilities of the first grain merchant arriving at Rhodes after a famine. Should the merchant share with the inhabitants of Rhodes his knowledge that other merchants would arrive soon? Obviously, this would reduce demand and the price of his grain. Yet, is not telling the Rhodians everything known to him dishonest? Cicero presents contrasting views of what an honest person might do. One argument is that the merchant should reveal all known facts, as purchasers should be as informed as sellers. Alternatively, although no lies may be told, not revealing facts differs from concealment. Customers know he is engaged in trade, and might assume he will not reveal everything useful to them. Although the seller must declare any defects in his produce, otherwise, he may legitimately sell to his greatest advantage. He must not misrepresent his offering, but in circumstances of shortage, he may seek higher prices just as he may have to take lower prices when there is surplus supply.

A counterargument is that traders have a duty to work for the general good, a social responsibility perhaps, in modern parlance. This can arise from a perceived fundamental moral duty to contribute to human well-being, but enlightened self-interest (assuming the trader might later return to Rhodes) might also come into play. The argument Cicero attributed to Antipater is based on moral duty, unlike that attributed to Diogenes:

> it is your duty to consider the interests of your fellow-men and to serve society; you were brought into the world under these conditions and have these inborn principles which you are in duty bound to obey and follow, that your interest shall be the interest of the community and conversely that the interest of the community shall be your interest as well; will you, in view of all these facts, conceal from your fellow-men what relief in plenteous supplies is close at hand for them? (http://www.stoics.com/cicero_book.html accessed 27 January 2008).

Seeing retailing as a platform for community development has modern echoes (e.g. in the cooperative movement), but Cicero is less than clear what he recommends. He uses retailing as an exemplar to develop broad ethical principles rather than to develop specific ethical guidance for retailers, as have other ethicists since (cf. R.M. Hare's cheating baker cited by Maitland (1994)).

If Cicero's views on fair dealing remain ambiguous, his view of retailers was clearly unfavourable. When in *On Duty* he distinguishes trades "which are to be considered becoming to a gentleman" from those that are vulgar, retailing is placed squarely in the latter category:

> Vulgar we must consider those also who buy from wholesale merchants to retail immediately; for they would get no profits without a great deal of downright lying (op. cit.)

Moreover, "Least respectable of all are those trades which cater for sensual pleasures: Fishmongers, butchers, cooks, and poulterers, and fishermen"!

In the discourse over the famine in Rhodes, Diogenes challenges Antipater's views of sellers' social responsibilities:

> . . . do you mean to say that those bonds of fellowship are such that there is no such thing as private property? If that is the case, we should not sell anything at all, but freely give everything away.

The issue of right to own private property proved problematical for the Scholastics,[1] mediaeval theological philosophers of whom St. Thomas Aquinas is best known. A particular concern was what constitutes justice in exchange.

To Aquinas, Aristotle's formulation of fair exchange denied traders returns not only on basic costs but also for work enabling the exchange and for risks borne. Society should tolerate traders who make modest profits and use wealth thereby accumulated for community benefit. Later writers extended Aquinas' logic to suggest a just price would allow merchants to maintain their customary position in society, covering long-run costs plus "normal" profits. Aquinas, though, doubted markets would guarantee a just price, and believed self-interest and greed should be curbed through market regulation and price controls. Defining a theologically sound just price long concerned the scholastics. Aristotle's notion of value based on usefulness could not ensure fair and just prices. The Scholastics overcame this hurdle by applying the Golden Rule: sellers should only charge what they would be willing to pay for an item. John Duns Scotus suggested a just price could probably not be precisely determined. His notion of a just price reflected the production costs of an item, but he saw how this might encourage inefficiency and higher prices. Hence, he identified competition as a necessary condition for a just price to emerge, driving out inefficiencies and market imperfections.

Gabriel Biel suggested exchanges would not occur unless sellers gained additional utility. He saw no reason to exchange goods of equal value, an issue taken up by the School of Salamanca. Measures of usefulness vary between persons, and a just price should be openly and freely negotiated in exchanges. Competition ensured buyers paid a price reflecting a good's usefulness to them, and sellers only demanded prices that reflected a good's usefulness to them. In short, we see market processes, akin to Adam Smith's "invisible hand", acting to define fairness in exchange. Subsequently, the debate on a just price was dominated by economic arguments, such as those of Ricardo, Marx, and subsequent economists.

Are Ethical Issues and Concerns Currently Arising in Retailing Addressed by Those Bases?

Many ethical concerns in modern retailing could be addressed using the philosophical contributions above. Traders passing off counterfeits as genuine, retailers allegedly profiteering from disadvantaged consumers' inability to access cheaper

shops, false claims that stock will soon run out and deceptive advertising would all fall foul of these contributions.

Other modern practices might be harder to appraise thoroughly by those frameworks, for several reasons including:

- Increasing complexity of modern products and services makes awareness of product quality difficult. How many consumers really understand which computer they need, or how best to finance a housing purchase? Are the salespersons that negotiate such transactions really competent to answer all pertinent questions that might be asked by fully cognisant consumers? In Britain, it is accepted that financial products like pension plans and endowment mortgages have been mis-sold, but were individual salespersons wholly to blame here? Even if consumers had been able to ask the necessary questions, had sellers been trained sufficiently to answer? Blame is hard to apportion. Partly, this reflects the increasing complexity of modern products, but it also reflects the organisational complexity of buyer – seller interactions in today's marketplaces, taking us into debates on limited paternalism and salespersons' duties to consumers (Ebejer and Morden, 1988; Walters, 1989).
- Are consumers aware who they are buying from? Consumers may compare shop prices unaware that several chains are in common ownership. E-commerce adds to the problem. How do I know that an organisation offering an attractive deal in cyberspace is who it claims to be, given the number of the false e-mails regularly received?
- Often employment as a salesperson involves bonus schemes linking salaries (including those of colleagues) to sales. Why should salespeople correct an affluent customer who mistakenly thinks he/she needs to buy a more expensive computer than his/her needs justify? How can conflicts of loyalty to a customer, sales colleagues, and an employing organisation be reconciled?
- If unmet demand exists for certain legal products, why should traders not meet that demand? What if the products are unacceptable to elements of a diverse population (e.g. replica guns, fur coats, sweatshop-produced items, even cigarettes)? Are not retailers still serving community needs and thus justified in such selling so long as no laws are broken?
- Why should retailers assume customers are honest when many adopt dishonest or damaging practices (e.g. using in-store advice to inform online purchases; returning goods as faulty when they have been misused)?

Many similar instances to those rehearsed above can be envisaged, but suffice to say that traditional models of fair and just practices in retailing do not provide simple solutions to all modern ethical challenges in this sector.

Modern retailing has complex characteristics. Dyadic exchanges envisaged in traditional approaches, while still valid in situations such as street markets, have often been supplanted by more complex interactions. Product complexity means ordinary consumers become increasingly reliant on salespersons, who themselves face conflicting pressures and loyalties. Diverse consumers bring differing agendas to the store, not all fair or favourable to retailers. Increasingly, consumers are not simply

buying a product, but a wider package (after-sales support, warranties, credit), making comparisons difficult. Supply chains appear weighted in favour of large-scale retailers, meaning perceived consumer needs (e.g. low price, quick response) may be used by powerful retailers to "bully" dependent suppliers. Modern retailing exists in a global context, with goods sold in developed economies increasingly sourced from developing nations, and many see that process operating principally to the advantage of the former. Is modern retailing damaging the global diversity of societies by undermining regional traditions and cultures? Are market-driven processes benefiting society overall, or damaging it as increasingly powerful global retailers, lacking accountability, emerge as key players? Are such processes unsustainable, ultimately threatening the planet environmentally?

How Might We Conceptualise Ethics in Retailing?

Ethical concerns in retailing can be presented using a stakeholder framework. Stakeholder theory can take different forms (Donaldson and Preston, 1995), and here a descriptive approach is adopted initially, merely as a useful way of representing the plethora of ethical concerns that surround modern retailing.

Figure 1 portrays the stakeholders, who modern retailers impact on and/or are impacted by, although in reality, interactions between and across groups are more complex than the diagram suggests. While retailers' interactions with each of these groups generate ethical concerns, it is neither practical nor necessary to explore all these interactions in equal depth. Initially, focus is put on key groups: customers, employees, suppliers and the wider community.

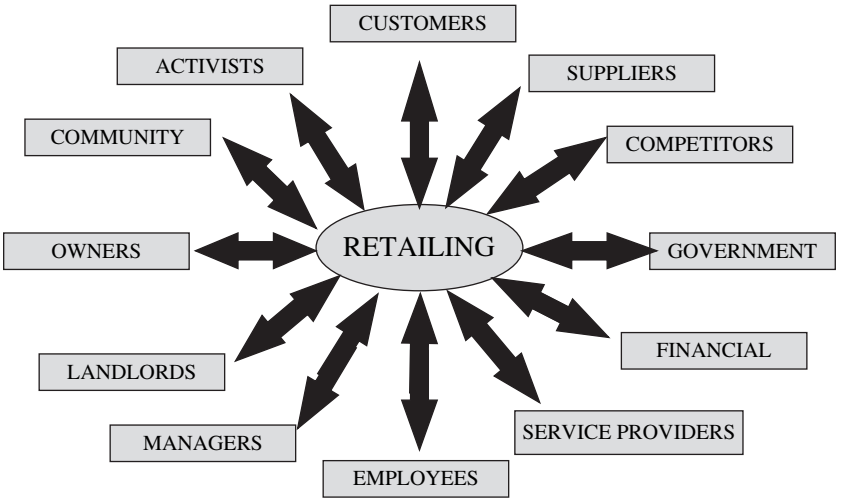

Fig. 1 Stakeholders in retailing

Customers

A fundamental ethical issue remains, whether or not a deal is fair. A power imbalance between individual consumers and increasingly large retail corporations has been identified, especially regarding disadvantaged consumers (Alwitt, 1995). Deals may be unfair in various respects: price, merchandise quality, fitness for described purpose, conditions attaching to sales, after-sales support, misrepresentation, and so forth. A particular concern is that retailers might unfairly use their greater marketplace power. This might manifest itself variously, but most obviously through predatory pricing (Compeau et al., 1994), and notably by apparent exploitation of vulnerable groups (Graddy and Robertson, 1999). Incentives such as competitions and special offers may also raise ethical questions (Whysall, 2000B). Fundamental is what constitutes a fair price and how that is determined (Michel, 1999). Beyond price, retail transactions increasingly involve exchanges of personal information, raising privacy concerns (Bosworth, 2005).

Fairness is also an obligation on consumers. Consumerism brought consumers' responsibilities alongside enhanced rights (Davis, 1979). Consumers should follow product instructions, only make justifiable complaints, initially using appropriate channels, pay as agreed, comply with contracts and point out errors even when these are beneficial. However, there is also a view that shifts towards consumer sovereignty can go too far (Sorell, 1994), with growing concerns for fraudulent shopping practices (Schmidt et al., 1999).

Vulnerable groups like compulsive shoppers need particular attention (Shoham and Brenčič, 2003), while excluding "undesirable" groups from retailing is also questionable (D'Rozario and Williams, 2005). Attention has focused on "disadvantaged" consumers (Ringold, 2005; Williams and Hubbard, 2001). Specifically, the elderly (Moschis et al., 1997), children and adolescents (Austin and Reed, 1999; John, 1999), the disabled (Kaufman-Scarborough, 1999), and the less mobile (Bromley and Thomas, 1993) have been seen as vulnerable.

Large stores generate complex trading impacts (BDP Planning/Oxirm, 1992). Bell et al. (1997) identified across Europe "captured consumers" using fewer, larger stores and having limited knowledge of other stores, suggesting markets may be increasingly less competitive. The spectre of local monopolies has provoked debate (Poole et al., 2002). As affluent shoppers travel further for cheaper goods, poorer and less mobile consumers may face less choice and/or higher prices. Davidson (1995) suggested retailers had obligations not to leave declining neighbourhoods for more profitable locations. The food deserts issue – whereby retail change leaves areas lacking basic food shopping provision – has generated controversy recently. Food deserts have been identified in diverse research locations (Blanchard and Lyson, 2006; Rex and Blair, 2003). For Wrigley, (2002) a food desert is "a metaphor for the complex nexus of linkages between increasing health inequalities, retail-development induced differential access to food retail provision, compromised diets, undernutrition and social exclusion". Others question the existence of food deserts per se (Cummins and McIntyre, 2002; Guy, 2002).

It seems agreed that disadvantaged consumers have suffered a worsening of shopping options in the wake of retail change (Carley et al., 2001), although disadvantaged consumers show resourcefulness in coping with the problems that arise (Piacentini et al., 2001; Williams and Hubbard, 2001). Increasing dependence by disadvantaged consumers on smaller shops links to concerns over diet and health. Caraher et al. (1998) saw this dependence as a barrier to accessing healthy foods, but links from local availability of healthy foods to health issues are complex (Cummins and MacIntyre, 2006).

Suppliers

Marketplace power has shifted from manufacturers to retailers, implying that suppliers of goods have become less powerful compared to their retail clients. This raises threats of the exploitation of retailer power. Relationships between British farmers and supermarkets have become strained (National Farmers' Union, 2006A, B), and similar concerns are also heard in other retail sectors. A controversial aspect of retailer-supplier relationships is "slotting fees", whereby suppliers pay retailers to get their products onto retailers" shelves and/or for advantageous positioning on those shelves (Aalberts and Jennings, 1999; Dickinson, 2002). That issue becomes more controversial with products such as alcohol (Gundlach and Bloom, 1998). Sales of counterfeit products also raise concerns (Bloch et al., 1993; Hilton, Choi and Chen, 2004), as do so-called product look-alikes that imitate leading brands (Burt and Davis, 1999; Davies, 1998).

Global impacts of large retailers manifest in various concerns, including sourcing from developing economies. Blythman (2005) describes a Kenyan farmer who became increasingly dependent on increasingly demanding supermarket customers, yet could not exit the relationship without potentially disastrous consequences for employees and the local community. Seager (2006) reported that Starbucks had blocked Ethiopian farmers' attempts to copyright their best-selling coffee beans, thus denying them secure income. A response to alleged abuses of producers in the developing world is the Fair Trade movement (Nicholls, 2002; Strong, 1997).

A particularly prominent concern is "sweatshop" production (Collins, 2003; Khoury, 1998). Some see sweatshops as a necessary evil, generating growth in developing economies (Maitland, 1997), but more commonly, such activities are criticised (Arnold and Bowie, 2003; Arnold and Hartman, 2003). Responses include campaigns and boycotts against sweatshops (Johns and Vural, 2000; Smith, 1990), voluntary codes to regulate production conditions (Emmelhainz and Adams, 1999), and the introduction of "no sweat" labels (Dickson, 2001).

While retailers' increased power makes them seem the more likely ethical villains in relationships with suppliers, there are examples of producers seeking to protect their privileged position in the marketplace, as with perfume producers limiting outlets to maintain high prices (Whysall, 1995). Initiatives, such as "greening" supply chains raise issues about the morality of using retailer power for beneficial outcomes.

Employees

Employee relations are crucial in service industries like retailing. Retailing's job creation potential has attracted attention in recent years, but while retail employment creation is generally welcomed, concerns remain that resulting jobs are relatively low-paid and often part-time (McQuaid et al., 2005). Unsociable working hours typify retailing, especially with liberalised trading (Kirby, 1992). Retailers may have used discriminatory practices (Broadbridge, 1995, 1996). Wal-Mart faced a class action on behalf of at least half a million women alleging sexism throughout the company over a prolonged period (Waldmeir, 2005) and was accused of knowingly employing illegal immigrants across 21 American states (Buckley, 2004). Thus, while retail employment creation is generally welcomed, it does not come without problems.

Retail work can be stressful (Broadbridge, 1999; Donnelly and Etzel, 1977). Evidence of dangerous working conditions in retailing also exists (Peek-Asa et al., 1999). There are also documented cases of threats to individual privacy in retail workplaces (Hartman, 2001). However, employees' own behaviour in the workplace can also raise ethical concerns, as with employee theft (Anderton and Kiely, 1988; Oliphant and Oliphant, 2001) and "service sabotage" (Harris and Ogbonna, 2002).

Community Interests

Local opposition from residents and established traders to retail developments is not uncommon (Whysall, 1999), although there can also be a trade-off whereby people want a new store close enough for them to access, yet not so close as to impact on their lifestyle or property values. Nonetheless, retailing has become an important element of economic regeneration strategies (Dixon, 2005).

Recognising the social functions of retailing, there is a case for treating certain retail activities as essential local services, leading to schemes to protect Britain's declining network of small post offices, which also act as welfare/benefits outlets (Office of the Deputy Prime Minister, 2003). Similar arguments focus on community pharmacies (Schmidt and Pioch, 2004).

Baron et al. (2001) saw the independent retailer as a community focus. However Bell et al. (1997) suggested that "substantial proportions of the population" across Europe had been disadvantaged by the "retail revolution", arguing paradoxically that low-income groups who most need supermarket chains' low prices are often least able to access them. It has been asserted that modern marketing exchanges are biased in favour of the marketer, with the poor in the USA paying more for goods and services while receiving less choice or variety of goods (Alwitt, 1995; Kaufman et al., 1994).

Retailers can also provide community support. British supermarkets have promoted projects whereby customers' purchases fund equipment for schools, although these have been challenged in terms of the actual returns to schools compared to

the public relations gains for retailers (Garner, 2001). There can also be a heritage dimension, with village shops, for example, integral to rural infrastructure and retailers often being preferred tenants for cherished buildings of architectural or historic merit that have lost their original functions (e.g. London's Covent Garden, San Francisco's Fisherman's Wharf and Ghirardelli Square, Boston's Quincy Market).

Activist groups represent a particular subset of community interests, although their status as stakeholders is problematic; often they contribute little to organisations, yet can have serious negative impacts on them. Activist pressures on organisations vary in level and form (Smith, 1990). Many topics generate protest: animal rights issues in clothing and cosmetics, third world sourcing issues, sweatshop labour, polluting activities, inappropriate exports to developing societies, unhealthy foods and various political campaigns.

Ethical concerns exist around all the relationships identified in Fig. 1 (Whysall, 1995, 2000), but to explore each further might be a distraction from the objective of conceptualising ethical retailing. The key point is that *all* stakeholder-retailer relationships can exhibit ethical dimensions. It is also important to note that the discussions have shifted from relatively simplistic "value for money" considerations to embrace aspects of marketplace power, the importance of information and global impacts of trading relationships, all increasingly important dimensions of modern retailing.

A shift from descriptive to normative stakeholder theory (Donaldson and Preston, 1995), whereby it is argued that all stakeholders have a fundamental right to be considered in retailers' decision-making is contentious. Stakeholder models have widespread support, but also attract strong criticism (Sternberg, 1997). The stakeholder model per se does not have an ethical foundation, although Kantian arguments can be attached to stakeholder theory (Evan and Freeman, 1993). Even then, how to resolve conflicting stakeholder claims is likely to remain problematic. In summary, then, we can conceptualise the ethics of retailing as a complex set of stakeholder relationships, but that does not necessarily offer a framework for resolving ethical dilemmas. It does, however, add depth and dimensionality beyond the simple dyadic model of most ethical discourses on retail transactions, highlighting issues such as power imbalances, information and global impact.

What, Then, Might Constitute Ethical Retailing?

There is thus no simple answer to what constitutes ethical retailing. One model is stakeholder management, where the ethical retailer manages through a consideration of who will be affected, seeking a solution that offers the most beneficial mix of impacts. This, though, represents a major challenge for the retail manager. First, it should be remembered that few retail managers will have any grounding in ethical discourse or in resolving ethical dilemmas. Perhaps, that implies some duty on the part of employers/shareholders to ensure their managers are prepared for such challenges, but to expect that is probably unrealistic in relation to how managerial

recruitment and training are presently typically focused. Secondly, even if managers did posses skills in resolving ethical dilemmas, what ethical framework(s) might they be expected to employ? Is it realistic to expect managers to set aside their personal beliefs and values, or their perceived duties and loyalties to employers or colleagues, in favour of some ethical framework that even a sample of moral philosophers might not all support? In reality, many retail managers are likely to be instrumentally "target-driven" to increase sales, given typical reward schemes, and if that is so, our best hope may be that, in the longer term, markets do reward virtue. To Maitland (1994, p. 28) the market "strengthens its own foundations and reproduces a moral culture that is functional to its own needs", which he saw as largely virtuous, but others may be less convinced.

The stakeholder management approach might actually sound less like virtue ethics and more like utilitarianism, seeking the greatest good for the greatest number, and indeed it is utilitarianism that many marketers resort to for ethical justification of their practices (Laczniak and Murphy, 1993). Yet, to equate utilitarianism's "greatest good for the greatest number" with marketing's aim of "meeting consumer needs" is highly problematic. While opening a new store in a Greenfield location may meet many consumers' needs, that does not automatically equate to the greatest good for the greatest number. If a consequence is the loss of shopping amenity and/or higher prices for less mobile shoppers, or environmental degradation, then surely, those issues also merit consideration.

That raises issues of distributive justice. Rawls argued economic and social inequalities should be set up to benefit the least advantaged. Thereby, ethical retailing would involve decisions that tackle disadvantage, or at least did not increase it. Defenders of the free market may argue that such social considerations will deflect businesses from their primary function of generating profit (Friedman, 1970), but others argue for retailing's key role in regenerating disadvantaged areas from a similarly profit-seeking orientation (Porter, 1995).

So, ethical retailing may take many forms according to different ethical frameworks. Many professions and corporations respond to such a situation by formulating some sort of code of ethics, but that is not an approach that is advocated here, as codes often bring problems as much as provide solutions (Warren, 1993). Ethical retailing, as indicated above, might appear utilitarian in character, virtue-driven, or justice-based, for example. For the individual retail manager, however, these are likely to appear rather abstract (and potentially unhelpfully conflicting) frameworks, and thus personal values and beliefs are likely to take precedence with a manager's personal conceptualisation of what are his or her duties and to whom those duties are owed, becoming crucial. In a postmodern perspective, some (e.g. Bauman, 1993) might argue this uncertainty around what constitutes "right" actions merely reflects the reality of contemporary society, riddled with contradictions. To the cynical, however, it could simply become an excuse to follow self-interest behind some convenient quasi-ethical smokescreen.

It often seems far easier to cite putative examples of unethical retailing than to define what constitutes ethical retailing, but some broad principles can be offered in conclusion. Firstly, ethical retailing would not focus solely on buyer-seller

relationships, but would also reflect wider social, economic and environmental impacts, going beyond the dyadic to embrace complex multi-stakeholder relationships. Secondly, it would positively address the welfare of the disadvantaged, both locally and throughout potentially global supply chains. Thirdly, the profits of retail trading would be shared fairly across stakeholders (raising questions of what is fair!). Fourthly, it would embrace all aspects of exchanges, not simply goods and money but also information, responsibilities, loyalty and so forth. Finally, perhaps, it would not only be concerned with short-term returns and gratifications, but with longer-term impacts and benefits, aiming to be sustainable, socially and environmentally. That may seem an unrealistic set of principles, but one advantage of establishing such principles is to prevent the concept of "ethical retailing" being hijacked for commercial gain.

Ultimately, ethical retailing is not a benchmark that a trader does or does not meet, but more a pursuit of excellence, a search for virtuous retailing. And, why should companies aspire to such principles? In Mahoney's terms, the obvious ethical reply would be because it is the right thing to do. Consumers also have a key role; it is hard to conceptualise ethical retailing without ethical consumerism. Therefore, if we consumers want ethical retailing, we may also have to realign our own shopping motivations and behaviours.

Note

1. The subsequent section draws on "The Ancients and the Scholastics" at http://cepa.newschool.edu/het/schools/ancients.htm (accessed 27 January 2008).

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Part III
Societal Level Business Leadership

The Marketing of Human Images as a Challenge to Ethical Leadership

Robert Audi

The rapid spread of visual media is enormously influential in the contemporary world. The recent increase in access to the Internet heightens the problem of how to bring ethics to bear in guiding this media influence, especially in marketing. Nothing is ethically more important in marketing than the human images communicated with goods and services. This holds even where what is marketed is inanimate. To be sure, human images are not commonly conceived as marketed because, in marketing situations, they most often appear as secondary to the sale of a product or service. But in a broad sense, they are marketed, even if no one pays either to view them or even to receive a replica, such as a photograph of a model wearing garments that exhibit the latest style. What we "buy" has a correspondingly broad sense: we buy not just goods and services but—especially with services—these *as* presented by someone who is seen as a user of the product or a purveyor of the service. In many cases, there is a sense in which we do not buy goods or, especially, services unless we in effect buy an image of ourselves using them.

Why should marketing be a special challenge for ethical leadership in business and a major topic in business ethics? The answer, in large part, is that marketing influences a great deal of human conduct and, indeed, often influences it *subconsciously*.[1] There is little reason to doubt that people—and especially children—often think or act in a certain way because they have seen a certain kind of human model in a marketing situation. Prominently in advertising, but also influentially in selling goods directly or in rendering services, businesses *present* people. Effective marketing presents them attractively. Doubtless, presenting people attractively is in part a result of aesthetic factors; but a reasonable hypothesis is that it occurs mainly because marketers commonly seek identification or emulation and take attractive people to be (for most products and services) most likely to achieve that in the psychology of prospective consumers. When marketing succeeds, it constitutes, in the domain of consumption, an exercise of leadership, at least in the sense that by it people are intentionally *led* in a given direction. Any successful marketer, then, leads others in some way. A leader in marketing does this in major ways.[2]

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A leader in a company that does marketing has an ethical responsibility to use this kind of power within appropriate limits.

The aim of marketing is purportedly commercial, but in fact, its effects are often much broader. Advertisements may lead one to buy a suit; but the hairstyle and even the facial expression of the model—especially if the advertisement is attractively filmed and scripted—may influence conduct. The influence may be in any walk of life, in or outside the workplace. It also commonly extends beyond the context in which a model is shown.

Where leadership is exercised, conduct is influenced. Where conduct is influenced, ethics is highly pertinent. The aim of this chapter is to identify some of the dimensions of marketing that raise ethical questions and to address challenges they pose for leadership in business. In the light of the picture that emerges, I will formulate some broad ethical standards that should be useful in guiding marketing. Certain kinds of marketing will not be in question; it is those with the greatest impact on conduct that concern me, but this criterion encompasses a great many kinds of marketing, and, in principle, any kind of marketing can present or affect human images and thereby their conduct.

A Holistic Conception of Marketing

For purposes of this chapter, marketing will be conceived as *the process of offering goods, services, or living things, for a consideration*. Even this wide description may not be broad enough to include everything that can be marketed. But note that the notion of a consideration covers nonmonetary exchanges and other ways of fulfilling a commercial purpose. Moreover, we may take abstract entities, such as plans, designs, and ideas, to be a kind of good (or at least product in the wide sense that includes anything we produce) and I am construing both services and living things broadly.

The notion of a consideration needs further comment. As the marketing of political candidates shows, the consideration a marketer seeks for what is marketed need not be monetary. One might still balk at saying that it can be a vote. But, even if the idea of marketing a candidate is metaphorical, the same might be said of marketing an idea if all that its seller seeks is persuading people to take a point of view. But just as those who buy an idea (in the sense of adopting it) take it in as their own, people who vote for a candidate are prepared to take that person as theirs—their president, governor, representative, and so forth. One might object that here we are only *promoting* the idea or candidate; if there is no commercial purpose on the part of whoever offers the idea (not necessarily someone whose idea it is), we (arguably) do not have genuine marketing. There is, however, still a sense in which the promoter may be "selling" the idea, and certainly candidates provide services that may be in some sense bought by electing them. In any case, some of the points to be made in this chapter about marketing in an uncontroversial sense apply to marketing in the extended sense that such cases illustrate.

More positively, I am suggesting that marketing is a kind of *promotional representation*. We may not say, however, that every case of the latter is a case of the former. I can promote a point of view not to persuade hearers to "buy" it but simply to defend my rationality in taking it. Tolerance, rather than "purchase", may be all I hope for. Here, there may be neither a consideration nor the kind of uptake at which marketing aims.

The idea of promotional representation enables us to see that there is a sense in which we can be marketing something, even if selling that particular thing is not our commercial *target* in the marketing activity. Our target may be to market clothes or equipment for playing rock music, but we may be unable to do this successfully without in effect marketing our clothes model or the kind of music that the equipment is designed to play. In my view, then, our conception of marketing should be *holistic* rather than piecemeal.

Marketing and Production as Interconnected Domains of Decision

For our purposes here, it is useful to speak of marketing and of issues in marketing ethics, independently of production and of ethical concerns regarding that. After all, in principle (one might well think), production should be directed by a combination of product desirability and anticipated profits. Few products, however, need no marketing. Hence, in determining the profitability, and indeed even the desirability in an overall sense, of producing something for sale, one has to consider how it will be marketed. A desirable product coming at the wrong time, or in the wrong place, or offered to the wrong potential users, may be impossible to market effectively and may fail to fulfill its purpose.

Marketing, then, can turn out to be absolutely crucial for determining what is produced or offered for sale: a good thing one cannot market, one cannot also in general afford to produce (at least for long or in great quantity). Now, suppose that a thing cannot or will not be marketed ethically. This raises a different problem. Consider, for instance, cigarettes in relation to youth. Suppose it is not possible to avoid their being marketed to young people, at least in the sense that effective marketing of them will, owing to how it makes smoking attractive, affect young people, including children old enough that they cannot be prevented from seeing some of the advertising. The inevitability of this *indirect marketing*, as we might call it, will be a consideration in any ethical decision regarding whether and how extensively to produce them. One might also speak of *unconscious marketing* here, if the marketers have no awareness of the de facto marketing they are doing. An important ethical point bearing on that possibility is that unconsciousness of what one is doing need not be excusatory. If we unconsciously do something we should not do, but ought to have known we were or might be doing, we are morally responsible for doing it.

Here, of course, we can distinguish between marketing and advertising. One might market cigarettes to adults by the way one packages them and informs

potential users of their availability. This does not entail advertising in the ordinary sense. One could simply make information available on request, as where users are told what toll-free number to call for further information or for mail orders. Moreover, advertising itself may or may not be accessible to the entire public. Advertisements may be displayed inside public buses, but they may also be confined to special audiences, as where they occur in magazines not legally sold to minors.

If one conceives marketers as agents of producers, one may think that the ethics of marketing is fundamentally to be applied on the production side. The idea would be not that marketers cannot decide ethical matters, but rather that a good production decision should be accompanied by a marketing plan that conforms to appropriate ethical standards. Ethically speaking, it should indeed do so; but in large companies, and particularly in a multinational one whose headquarters is far from many of its sales territories, there will be much discretion exercised by marketers, especially in nations with laws less restrictive than those of the home country. Here, special efforts may be needed to ensure that ethical considerations are not omitted or given short shrift. Generally, CEOs and upper management cannot, in practice, dictate every marketing decision. Even if detailed guidelines are laid down, there is still a huge range of options left open, particularly as regards the subtleties of presenting human images. Some of these presentations, as we shall see, are more ethical than others.

Marketing and the Human Image

I have been emphasizing the point that marketing must be considered holistically, not just in a piecemeal fashion that presupposes a focal target for every product or service. A further distinction important here is between those goods and services that need the representation of a person for their marketing and those that do not. Most goods and services either do need it or can succeed better when they have it. Even supplies like paper and hardware may often be sold better if shown in situations of use by people with whom potential buyers can in some way identify. This point affects directions given to sales people as well as to advertisements. But (although I will not consider such cases), a human image may be implicit, as where the use of the product or the rendering of the service implies a certain stance or approach by the person(s) in question.

It is important here to examine some examples. Naturally, one thinks of advertising; but although this is the most prominent area in which human images are marketed, it is not the only one. Consider newspapers and magazines. They are marketed in part by the pictures and headlines they contain. Quite apart from advertising, a newspaper may try to attract readers by showing pictures, say of victims of crime, or of starving children, or of agonized parents of children killed in floods. Newspapers may also use alluring headlines or dramatize certain stories by, for instance, calling a terrorist a “mastermind” (a term which mixes the good with the bad and, whatever one thinks of its appropriateness here, is not neutral).

These cases deserve further consideration, but here I will concentrate on advertising as the activity in which human images are most prominently put forward in contemporary culture in the developed countries. I shall consider particularly four problem areas: the representation of women, the portrayal of people who need medications, the representation of the environment as a domain of product use, and the representation of communications between persons. Since this is a normative and conceptual inquiry, I shall not marshal detailed empirical data, but the examples I give will be representative of familiar kinds of advertising (at least in the industrialized world) and will indicate what kind of data might be sought by anyone wanting to pursue empirical hypotheses related to the position I am developing.[3] It is appropriate to add, however, that there are empirical data to support the view (taken in this chapter) that images in advertising significantly affect behavior. A striking case in point is the use of "shock tactics" in Australia to reduce highway fatalities:

> Such advertisements have depicted, in most graphic fashion, children and adults being hit and dragged under cars, a mother cradling a son killed on a crosswalk by a speeding car . . . a youth crying for a brother whom he killed in a drunken-driving crash . . . [with] a dramatic effect on Victoria's road toll, seeing road fatalities reduced by 50% in the first five years. (Spence and Van Heekeren 2005: 108).

Advertisements for clothing and ordinary products cannot be assumed to have as powerful an effect; but given their pervasiveness in the reading and viewing of huge numbers of people, their effect must not be underestimated.

The Representation of Women

There is no one way in which marketers represent women, and certainly the female images presented in advertising vary greatly. But particularly in magazine advertising of clothing, there is often something that deserves scrutiny and, in my judgment, there is nearly as often something that should be altered. A prominent example is the Sunday advertising supplement in *The New York Times*, which is a respected and widely circulating newspaper. The supplement has commonly shown women with expressions and in poses that, particularly given the clothing modeled, make them look sultry, even "cheap." In the opening pages of the Spring 2006 Edition, for instance, we see a model in an erotic pose in which the underside of her almost unclothed buttocks is the visual center of the picture. A few pages later, we see a Terri Jon ad by Rickie Freeman showing a woman lying on her back on a sofa, her legs rising over its arm and back with her skirt fallen above the knees, and looking fixedly up (apparently at a romantic partner), lips parted to enhance an inviting facial expression. A still more unflattering portrait is an Agent Provocateur advertisement in the *Magazine of the New York Times*, which pictures a woman astride an inflated artificial fish on the floor and leaning forward with pursed lips to kiss the mouth of an inflated plastic teddy-bear-like animal which she holds in her hands, while just beneath her loins is a phallic-shaped protrusion from the fish. She is shown clothed only in black stockings, briefs, a brassiere, and long white gloves (2006, 61–2). The

suggested bestiality is presumably meant to evoke an image of human sexuality but presents a degrading image for the model.

In this context, it is useful to distinguish between advertising (and other kinds of marketing) that present a *human image* and those that present only or mainly a *body image*. Even a headless model in a shop window can present a body image: a projection of how the body should look or be shaped. A body image can be projected with no implications concerning conduct or personality, just as a human image can be presented—say, either by people with their bodies obscured by loose clothing or by people with very different bodies that are in no case likely to draw attention to themselves. Ethical marketing is concerned with both kinds of images. The main concern in this chapter is human images, but certainly body images are both important in themselves and may be presented at the same time as human images, as where clothing is modeled by people with expressive faces, in suggestive poses, and with their bodies eye-catchingly displayed at the same time.

There has also been a tendency in much advertising of clothing for women, to use models who are extremely thin, and often a human image is presented as well as this slender body image. I do not know what evidence there is that either this pattern of sexual suggestion is more effective in selling garments than other alternatives, but it is well known that in the United States (US), at least, some adolescent girls have been preoccupied with being thin to the point of anorexia or bulimia.

These examples from *The Times* are not unrepresentative of advertising in many other print media. They would be objectionable quite apart from whether they represent women more degradingly than clothing advertisements represent men. I believe, however, that this difference is commonly found. The Men's Fashion Supplement of the *Times* (2006), in comparison with the Women's Supplement cited above, is some confirmation. I am certainly not implying that the representation of men in clothing advertisements is beyond criticism, but my observations in the English-speaking world indicate that there is significantly *less* to criticize here (though in the *Times* fashion magazine men are also represented in ways that are at best unflattering).[4]

In comparing the roles of men and women in marketing, and particularly in advertising, it is noteworthy that images of women are more commonly used in relation to household goods and those of men are more often used in relation to business goods and services. There appears to be a guiding view that, by and large, one sells products better by associating them with images of those who use them most. It is interesting to suppose this is true and ask what it might imply ethically. Here I have three points.

First, I am criticizing advertisements for negative qualities, not suggesting that marketing ethics requires marketers to sacrifice sales in order to promote desirable social patterns, such as equal representation of women in business. But second, marketing ethics does call on marketers to avoid stereotyping, for instance implying that *only* women appropriately do domestic tasks or *only* men do managerial jobs.

My third point is a response to the first two. It is an empirical question on how much is lost in sales if, to avoid stereotyping, marketers seek to undermine stereotypes like those just mentioned by diversifying the human images they use in the

advertising and other marketing activities. I would hypothesize that if anything is lost by the level of diversity required to avoid or even weaken stereotypes, it is little enough to make conscientious marketers willing to pay it. My hope is both to help to motivate more work on the empirical question and to urge more attention to the positive goal I am stressing.

Healthcare Products

Drug companies are among the largest and most pervasive advertisers, and the human images they market along with their products are important. My own observations indicate that they very often use images of people they think potential users want to be like rather than realistic images of people who need the product in question. This is not in itself unethical, but it can easily approach being manipulative. If it is manipulative, in the sense that it creates a greater felt desire for the product than is in the interest of the potential buyer, then—unless the product is entirely harmless if used as is normal—advertising it is to some degree reprehensible.[5] If the product is entirely harmless, then it falls in the category of many other things one may want but does not need. In those cases, if marketers make no false or deceitful claims, they may be perfectly in the clear on this score.

A quite different concern is the use of human images in a way that, given the content of advertising, conveys a false impression of the normality, or at least the commonness, of the conditions calling for the kind of drug in question, together with an inadequate sense of undesirable side effects. Granting that many people have headaches or difficulty sleeping, by showing young and very healthy-looking people taking the remedies and by the accompanying wording, many advertisements convey the impression that it is both normal and safe to take the relevant remedies for long periods. In television advertising, warnings may be given rapidly in a recitation easily downplayed or even ignored; in print they are commonly in small fonts.

In part, my hypothesis is that much marketing of heath care products presents a biased sample of people needing them, and in part it is that they use human images to evoke a false impression of the normality and safety of extensive use. In a free society, neither point would automatically imply that legal restriction should be imposed, but both points indicate that ethical restraints should be applied at *least* to the extent that is financially feasible. In many cases of pharmaceutical marketing, this standard remains to be adequately achieved.

Images of Environmental Use

Here, I must say at the outset, that the points I want to make about marketing in relation to the environment bear perhaps as much on what should be produced in the first place, as on how what *is* produced should be marketed. But since the question what to produce (for profit) is in practice inseparable from the question how it is to

be sold, that connection is a reality that business ethics must address in any case. Let me cite three examples.

It has been common in the US (for several years through at least 2005) for advertisements for sport-utility vehicles and light trucks to show them climbing steep grades in what looks like unspoiled mountainous areas. The typical driver is meant to seem quite masculine. The image is readily seen as one of a virile man conquering virgin land. Must the masculine associations, (apparently) needed for good marketing of such vehicles, be evoked at the expense of making the associated degradation of the land look like an innocent sport? Might climbing a steep road—or perhaps a very steep grade created for the purpose—do as well? If not, that may suggest that, as mounting greenhouse gases indicate, the product should be used far less and manufacturing should be redirected toward more efficient vehicles. The question may in any case deserve more investigation than it has received.

Another area of concern is that of lawn treatments. In the US, at least, these are represented as normal, and men rather than women are standardly represented as applying them. I have two concerns. First, might women also be represented to diversify the imaging that goes with the product? Second, and more problematic for marketers, might an effort be made to stress safe ways to use the chemical and to minimize environmental effects? I say this is more problematic because it may point in the direction of reduced usage, hence reduced sales, or at least in the direction of further development of organic substitutes.

A third case is that of the Archer Daniels Midland advertisements common on Public Television in the US in recent years. We are shown vast expanses of farmland, but also people in various parts of the world who are supposed to be positively affected. The diversity of people shown is welcome, but the suggestion of agricultural development without environmental impact—whether, for instance, as a result of chemical fertilizers or of deforestation—is at best misleading. Again, there is some question how much can be done without reducing sales. I do not have an answer; I am simply proposing that the question should be asked and more often pursued empirically.

Communicative Images

Two kinds of examples will serve here. Both concern communication actually represented in speech with the implication that what is represented is normal.

For many years, political advertisements in the US have commonly been given by men having low, admonitory, voices. In the (quite common) case of negative advertisements, they seem intended to evoke fear; for positive ones, they are meant to evoke awe or at least imply authority. They are characteristically artificial in tone and simplistic in message. We live in an age in which reasoned political decisions are immensely important. Presenting stereotypes or images of fear in place of adequate descriptions is reprehensible. A free society cannot make it illegal on that count, but marketers can do more to resist being made tools of politicians. Moreover, the

consciousness raised by the kind of discussions I hope to encourage can help the public to resist the influence of simplistic political marketing.

A quite different case is *dialogue* used in marketing, and especially in advertisements. When ordinary people are represented, as where one spouse is seen talking to another, a lowest common denominator mode of speech is common. Similarly, when young people are represented, they sometimes speak in trendy ways that are thought to be "cool," but otherwise may be undesirable. A frequently encountered case in advertising in the US is the use, especially in young females, of an interrogative intonation at the end of a declarative sentence, a rising of the pitch that gives the impression of uncertainty. This intonation (sometimes called "upspeak") creates an image of, if not timidity, exaggerated tentativeness. Particularly, since it is less common in men, it tends to conduce to stereotyping females as less decisive than men. Granting that potential users should not be made uncomfortable or alienated from the scripted characters because of the speech patterns they use, the question I want to press is whether marketers should consider providing the best communicative models that are compatible with good sales. In my view, they should, and I doubt that they commonly do.

The Challenge for Business Leaders

The kinds of problems I have highlighted in the marketing of human images pose a challenge to business leaders. I have in mind especially CEOs, but significant leadership in marketing can and should also come at lower levels. I also maintain that since marketing has such wide influence on both the behavior and the thinking of societies in which it is a prominent element, the obligations of ethical marketing are a kind of obligation of citizenship itself. Major companies are important elements in society, and their leadership is important for the culture and well-being of the societies they pervade. In very general terms, the challenge this poses for business leaders is to keep profits strong while doing ethical marketing. I do not presume to know just how commercially effective the kinds of marketing I have criticized are. But, let us suppose that there is *some* empirical evidence favoring the kind of advertising I have criticized over kinds that more positively represent human beings. What ethical standards should govern decisions of the kind marketers must make? I will restrict the discussion to come to ethics of purveying images.

The main question here is one of achieving a balanced application of general moral standards. Let us start with those (some already mentioned above) and then ascertain some points about application.

My concern is the marketing of human images, but I begin more generally with broad ethical standards, and then focus on the case at hand. Below are some virtually universally respected ethical standards which, in (2004), where I take off from the classical common sense ethical view articulated by Ross (1930), I have explicated and defended in detail.

The first obligation in question is that of *justice*, including the positive duty to prevent and rectify injustice as well as, even more urgently, the negative duty not

to commit injustice. The obligations of justice apply, in principle, to every realm of human relations and certainly in marketing, where (as we have seen) stereotyping and misrepresenting (among other things) can constitute injustices to potential buyers.

The second case is the obligation of *noninjury*, roughly, the obligation to avoid harming others. Given human vulnerability, this is an obligation we hope others will fulfill and must try to fulfill ourselves. In marketing, it particularly applies to children and others who are highly vulnerable. In addition to the risk of adversely influencing children in marketing tobacco and drugs, there is the problem of childhood obesity (for an indication of its seriousness and relation to marketing see Moore, 2006). Psychological as well as physical injury must be included in adhering to this injunction—a point of special significance in marketing.

A third major obligation is that of *fidelity*. This is a matter of promise keeping and avoidance of lying (both are cases of fidelity to our word). Honesty in what we say is crucial in any walk of life, and, in business, including advertising, it is normally essential for the trust that is crucial for effective marketing over the long term. The requirement here goes beyond the prohibition of lying. Dishonesty need not imply lying; certain kinds of deception—as where advertisers present a highly biased selection of facts—can manifest dishonesty. Here, only truths may be presented; but their ordering and the lack of appropriate contrasting facts may render the marketing in question deceptive. This is not to say that ethical marketing may never result in deceiving a viewer about the product or service; some deception may be inevitable in the casual or uncritical viewer. Broadly, the ethical aim here is to avoid being deceptive toward a normal viewer giving normal attention to the promotion. (The clarification of this aim is a major task that deserves a chapter in its own right.) As to promissory fidelity, given that marketing is a kind of promotional representation of what is marketed, it may be viewed as entailing a promise or similar commitment regarding the quality of the goods or services in question.

A fourth kind of obligation is that of *reparation*. The obligation here is to make amends for wrongdoing. This applies above all to people who are wronged and should be compensated. It applies to marketing as elsewhere. The examples that come most readily to mind are from the pharmaceutical industry. The Thalidomide case is among the famous ones in which reparations were due.

The fifth basic obligation to be stressed here is that of *beneficence*: the duty to do good deeds, in particular to contribute to virtue, knowledge, or pleasure in others. Medical benefits, pensions, and services such as counseling come under this heading, as applied in business. But the dimensions of beneficence are unlimited. There is no good formula for deciding when, given the many opportunities most of us have, one has fulfilled this obligation; but it is widely agreed that, at least if no self-sacrifice is required to do something good for others, then doing it is within the scope of the duty of beneficence. Marketing of valuable goods and services for a fair consideration may be considered to some degree beneficent, even if beneficence is no part of its motivation; but—in ways I have illustrated in the previous section,

ethics calls on us to seek opportunities to do more good than we would do in the course of simply achieving our own aims, commercial or personal.

The sixth obligation on the list presented here is that of *self-improvement*: the obligation to better oneself. Prudence, to be sure, points in the same direction, but particularly in business, the alignment of morality with prudence should be welcome news. The obligation of self-improvement calls for enhancement both in our character (virtue in a formerly more usual terminology) and in our knowledge. Indeed, as role models, business leaders, in marketing as in other areas, may even have a heavier obligation of self-improvement.

The seventh obligation in question is *gratitude*: the obligation to express appreciation for good deeds toward us, where these include good work done under our direction, as well as beneficent deeds toward us. This obligation becomes stronger roughly in proportion to how difficult the good deeds are and in inverse proportion to how strong an obligation the person in question has (or had) to do them. In marketing, its proper role may be most prominent in offering benefits, such as rebates and privileges, in return for purchases. Purchases may be viewed as voluntary rather than obligatory; and even if profitable marketing is aided by certain expressions of gratitude, they may be appropriate as fulfillments of gratitude (and indeed of beneficence).

In my view (2004, Chapter 5), there are two further prima facie obligations that are not adequately reflected in Ross (1930) and have a similar status.

The first is *liberty*, the obligation to preserve and, where possible, enhance freedom and autonomy (roughly, self-government) in persons. In marketing, this obligation has most obvious bearing on the avoidance of manipulation of viewers, as where subliminal or indirect messages they do not know they have received may influence conduct, or less insidious, they are wrongly made to feel that without a product they are inferior (see Crisp, 1987 for discussion of how marketing may undermine autonomy). In business in general, the obligation of liberty implies permitting and sometimes encouraging innovation, as in marketing what one produces. (Nurturing freedom and autonomy is doubtless typically also a case of beneficence, but neither beneficence nor justice exhausts the content of the obligations in the range of liberty).

The second obligation beyond Ross's list is constituted by what I call *obligations of manner* (roughly, of respectfulness). These concern *how* we do what is obligatory as opposed to *what* we must do in some way or other. The obligations encompassed by obligations of manner require some explanation. They are in a certain sense adverbial. Consider treating people who are targets of marketing sincerely as opposed to manipulatively, or promoting products informatively rather than just persuasively. These contrasts suggest many distinctions to be made in marking and many choices on which good ethics bears.

Giving this set of commonsensical obligations, a central place in determining ethical conduct is not confining. The standards are high, but not overdemanding. The framework is, moreover, compatible with various ethical theories. These principles do not stand in *need* of justification from other considerations, but they can be

supported by many kinds of theories, notably those of Kant (1956), of utilitarianism (Mill, 1987) and of Aristotelian virtue ethics (Aristotle, 2002).[6]

One might think that, because the principles constitute (the core of) a rule ethics, they do not comport well with a virtue ethics and hence are not Aristotelian in any significant way. But recall that the obligations expressed are prima facie; this indicates not only that they are not absolute obligations but that practical wisdom—a central notion in Aristotelian virtue ethics—may be needed to determine whether, in a given context they are final. Practical wisdom is, if not the master virtue, a virtuous condition of intellect that is essential for practical ethics.

A second point pertinent here is that, to every prima facie obligation on the list there correspond one or more virtues. Some of the obligations are indeed named in virtue terms: those of justice, fidelity, beneficence, and gratitude (a narrow virtue, perhaps, but a virtue nonetheless). To non-injury there corresponds civility, kindness, and many other virtues; to reparation, fairness (among others); to self-improvement, self-respect and one kind of pride; to the obligations regarding liberty and the manner of actions, respectfulness is perhaps the main corresponding virtue. It is in part a practical question—and one important for leadership in business—when it is most fruitful to guide people by stressing a virtue rather than the corresponding principle. But for many everyday purposes and most theoretical purposes, the statements in terms of principles of obligation seem best. In these, the kinds of conduct are named for explicitness, and the prima facie qualification is present to forestall both the error of taking any one obligation to be absolute and the error of thinking there can be no conflicts among the various obligations.[7]

As it happens, these principles of obligation cannot plausibly be put in hierarchical order. It is plausible to consider some more weighty than others by and large, say the obligation of non-injury as against that of beneficence, but we should not conclude that *no* amount of beneficence on the part of an act can outweigh even a slightly injurious consequence. Similarly, the obligation to avoid doing injustice usually takes precedence over that of beneficence. Since restricting freedom of expression is an injustice, censorship of advertising is (apart from special cases such as advertising pornography to children) unjustifiable in a free society, even if it should be desirable on the basis of beneficence. But in special cases, a strong obligation in one category might outweigh a weak one in any other (as I have argued in 2006: 181–85). Ethical leadership in marketing must contend with this.

It should be noted that the ethical principles here substantially overlap those of the American Marketing Association's Code of Ethics, which is also plausibly considered non-hierarchical. It stresses non-injury (saying that marketers must "do no harm"), honesty, responsibility, fairness, respect, openness, and citizenship (the code is reprinted in Murphy et al. 2005: 14–16). Here it is respect (for "the basic human dignity of all stakeholders") that is probably most pertinent to this chapter, and under that heading "depicting demographic (e.g. gender, race, sexual) groups in a dehumanizing way" is specifically proscribed. This chapter brings out ways in which, even without dehumanization, standards of respect can be compromised. The chapter is also consistent with the code in treating the demands of ethical marketing as incapable of being met by legal regulation alone.

If I have been right in identifying cases in which human images are perverted or represented in unethical ways, we have a case in which (as is common), ethical demands go beyond the legal requirements any free society may reasonably impose. In meeting these ethical demands, there are inevitably tradeoffs. For instance, how much sacrifice of profit does ethics require, if indeed it ever requires sacrifice in the long run? It would be naïve to think there is any easy tradeoff in those cases where the ethical way of proceeding has some financial cost as against, say, deceptive advertising. Ultimately, good imaging should pay businesses well economically, but economic incentives should not be the only kind operative in the matter.

I do not claim to be able to prove that in marketing (or elsewhere in business) conducting business ethically will be economically beneficial in the long run (there is no doubt that it need not be so in the short run). But I challenge leaders in marketing (or certain of them) to try harder to meet high ethical standards. In particular, I have noted kinds of marketing that represent women in ways that are misleading and even demeaning, that stereotype females or other categories of persons, including virile males, that misleadingly imply the normality and safety of long-term medications, that portray unnecessarily exploitative uses of the environment, and that employ and even promote modes of communication which unduly magnify fears, enhance stereotyping, and unwarrantedly simplify issues.

I offer no formula for a solution; but even to recognize these patterns and to reflect on them in the light of the ethical standards stressed here, may lead to considerable progress. The matter is urgent, especially with the developing countries moving so fast toward frequent exposure to the media. There is a growing possibility that simplistic, even militaristic images of humanity will come to the fore in the developing nations even more than they already have in the developed ones. It is quite possible for marketing to represent human images in a way that presents something to live up to rather than something to which few, if any, would aspire given adequate knowledge of what that means.[8]

Notes

1. For discussion of the influence of subconscious effects and how information that is processed peripherally see Petty et al. (1983).
2. For a case that advertising that exercises a subliminal influence on potential buyers undermines autonomy and is thereby ethically objectionable, see Crisp (1987).
3. For descriptions of advertising in other nations, and especially in Australia and the UK, see Spence and Van Heekeren (2005). They also provide instances of codes or proposed codes meant to elicit voluntary compliance with various ethical standards.
4. Insofar as a recent study is representative of male and female attitudes toward dress, there is a certain irony in women's apparently tolerating a lower standard than men in advertising targeting them. Cooper (2005), reporting the results of a study of male and female attitudes toward dress codes for National Basketball Association players appearing in off-court NBA events, reports that "Overwhelmingly, the women (many of whom are single parents) favored dress codes" (9). He speaks of their "Disdain for looking like a thug" (9), a phrase that might evoke the thought of disdain for looking like a sex object, as some women in clothing advertisements are made to appear.

5. We have to say "as is normal" rather than "as directed" because (in cases like this) ethics concerns what harms are likely given real conditions, not given ideal ones.
6. How Kantian ethics may be used to support the truth of Rossian principles of prima facie obligation is shown in Chapter 3 of Audi (2004).
7. For applications of both rules and virtues to marketing ethics, see Murphy et al. (2005).
8. For helpful comments on earlier versions of this chapter I thank John Mittelstaedt, Patrick Murphy, and Johan Wempe.

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Alternative Business Ethics: A Challenge for Leadership

Donal Dorr

Nowadays, there is a widespread, tacit assumption that the "business world" has its own accepted practices, and its own code of behaviour, largely independent of the norms which apply in most other human relationships. Similarly, we hear the phrase "business leaders" used in a way which implies that becoming a leader in business is simply a matter of making a great deal of money.[1] This suggests that the modern business world has its own ethos and ethics—cut off to some extent from the rest of the wider world of everyday human interactions.

In this chapter, I shall argue that to give a specialised and different meaning to words like "ethics" and "leadership" in the business world damages both human society as a whole and business people themselves. In the first section, I shall examine the *motivation* which business people may have for behaving ethically. In the second section, I shall go on to look at the modern Western business world as an integral *system* which is hard to change. In the third section, I shall examine an *alternative* model of business, namely, the one which is operative in the street markets of Asia and Africa. In the fourth section, I shall suggest how the present system may be changed by being *reinserted* more seamlessly into the wider world of human interrelationships. In the final section, I shall examine the extent to which *spirituality* and religions may play a part in bringing about this change.

Motivation for Ethical Behaviour

At the present time in our Western world, it is widely assumed that the most effective way—perhaps the only way—to ensure that business is governed by a code of ethics is to impose such a code by law. "Should" then comes to refer to little more than obeying the law. At this point, the experience and concept of guilt tends to become increasingly irrelevant. More and more, the motive for acting ethically is simply *fear*—the fear of being caught and of having to pay the prescribed penalty. This, in

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turn, has led to the emergence of a corps of business lawyers. One aspect of their work is to ensure that the business operates strictly within the letter of the law. But, an equally important task of these lawyers is to find loopholes in the law which will allow the business which employs them to gain a competitive advantage, until such time as the loophole is plugged.

Fear of punishment is a very inadequate incentive for truly moral behaviour. It leads one to seek opportunistically for ways of avoiding penalties. To remedy this situation, it seems best at first to focus mainly, not on negative emotions such as fear and guilt, but on more positive feelings.

Other Motivations

The reality is that, most people—including business people—are not motivated solely, or even primarily, by narrow self-interest. A little reflection on our own experience shows that many, if not most, of our actions are inspired by less selfish motives. The most obvious example is, of course, the enormous sacrifices which parents make for their children. But, we can think also of the generosity which leads people to help their friends and to give extravagant gifts to their lovers. Very many people freely and even joyfully devote time, energy and resources to developing their local community or to serving the poor. Some are willing to dedicate their whole lives to a noble cause—and perhaps even to die for it.

We may not hear much about the word "virtue" nowadays. But most of us are quite virtuous in practice for much of the time. We enjoy being generous. We find fulfilment in helping others. We feel good when we resist the temptation to deceive or manipulate people and act instead with honesty and personal integrity. A surprising number of people derive satisfaction from giving leadership by modelling a better, more generous way of doing things. We are even attracted to the idea of acting nobly—though we may be too bashful to admit it even to ourselves.

Furthermore, there is no sharp distinction in practice between a concern for our own interests and the virtues which lead us to reach out to others. We tend to see the members of our families as, in some sense, an extension of ourselves. Most people spontaneously experience a sense of solidarity with their friends; and this sense of solidarity extends also to their neighbours and to the local community (except in situations where people live in middle-class or upper-class urban anonymity). We do not have to reflect very deeply to realise that our own welfare is dependent on the welfare of our country and even of the world as a whole. In recent years, most people have come to accept—at least, in principle—that care for our environment and for the Earth is inextricably linked to care for ourselves.

It is true that we in the West no longer have such a strong sense of being embedded in a group as people had in the past—or, as most of the peoples of Asia and Africa have even today. The individualism which has come to the fore in the Western world in recent centuries has led us to think in terms of our own interests, of "looking after Number One". But human nature has not changed fundamentally;

so it may be that this new individualism operates more at the level in which we learn to *think* of ourselves than in ways we *act* in everyday life.

The Business World

There is no doubt, however, that what has been created in the Western world over the past couple of hundred years is an understanding of business which assumes that self-interest is the principal motive for action. That is the fundamental reason why the sphere of business activity is taken to be a more-or-less distinct "world", governed by a different set of norms and a different ethics from the world of other everyday relationships.

The result is that, in this business world, activities which might otherwise be seen as springing from generosity, tend nowadays to be articulated and evaluated in terms of "public relations"(PR). Suppose a business person decides to build a swimming pool for the local community. This action may be the result of a generous impulse, or a feeling of solidarity, or a sense of compassion, or even, perhaps, a feeling of guilt and a desire to make reparation to the community for environmental damage. On the other hand, the decision to build the pool may be a calculated gesture to create goodwill in the area, in order to promote the long-term self-interest and profits of the business person. There may even be a mixture of all of these motives. However, in terms of the dominant ethos of the business world, the building of the swimming pool is simply a PR exercise. It is evaluated in terms of the extent to which it contributes to the self-interest of the benefactor. The other possible motivations are seen as irrelevant within this "world".

This mercenary evaluation is not confined to the donor. The ethos of the business world has also percolated into the local community who may well see the action not as an act of generosity but as a PR exercise which has been squeezed out of the donor. The business ethos tends to lead people to interpret such actions as a kind of mutual manipulation.

What I am saying about "the business person" refers primarily to those who own the business and to those whose task is directly promoting the business, for instance, by being engaged in its selling or buying activities. There are many others employed in industry or services who are not directly involved in the interface between the business and other businesses, or its interface with the outside world. These employees are much less likely to have their value system corroded by the modern "business ethic"; they may be just getting on with their work, relating to those around them in a more human manner. However, a competitive and unscrupulous business ethic may percolate to a greater or lesser extent into the whole workforce of a particular factory or other enterprise.

The best way to provide a long-term remedy for the dehumanising effects of the business ethos is to encourage people in the business world and in the wider world to become aware of how artificial and how damaging it is to make a sharp distinction between the ethics of business and the ethics of our other everyday human interactions. Many management consultants and an increasing number of business

leaders have woken up to this reality. They are now placing great emphasis on how important it is to establish warm personal relationships with their workers, suppliers, customers or clients, and even their competitors. However, it is no easy task to put this general principle into practice in everyday business relationships. The difficulty stems mainly from the fact that the present-day business ethos is an integral part of a closed system. Individual business people may feel trapped within this system, finding it almost impervious to change.

The Business World as an Integral System

The present model of the business world did not just suddenly appear out of nowhere. It was constructed piece by piece by millions of people over the past two or three centuries. It now forms an interlocking system where each component reinforces the fabric of the whole.

The Economic Aspect: "Efficiency"

From the beginning, a key role has been played by entrepreneurs who devised new ways of cutting down on costs which they have to pay in making or selling goods or in providing services of all kinds. In some cases, these reductions in costs came from the discovery of genuinely more efficient ways of doing things. But, in most cases, the new "efficiency" was not a matter of reducing the real costs but only of *spreading* the costs and thus lessening those immediate costs which the entrepreneur had to pay. Where "the efficiency" involves moving the work to a country where workers are badly paid, the savings made by the entrepreneur are made at the cost of the workers. In situations where hand work is replaced by machinery powered by cheap energy, the money saved will be paid by future generations when cheap energy sources are no longer available. In cases where the apparent efficiencies involve more pollution of air, land, or water, some of the cost of the product has to be paid by those who now have to live in the degraded environment. Furthermore, in almost all cases these new "efficiencies" come at the cost of greater pressure on workers—the loss of moments of relaxation in between bouts of work, and anxiety about failure to meet deadlines or work quotas.

It would be too easy to lay all the blame on the entrepreneurs. We the customers and clients also have to take our share of responsibility for the generation of this new world of business. If we choose to save a little money by buying our clothes in cut-price stores like Wal-Mart, we are putting pressure on competing outlets to adopt the same insensitive policies which have made Wal-Mart notorious: sourcing their goods in Third World sweat-shops and paying little heed (at least until very recently) to environmental issues. If those of us who invest in company shares—either directly or through our pension funds—seek only the highest returns on our money instead

of engaging in what is called "responsible investment", then we too are supporting the exploitative system.

Political Factors

We must take responsibility for what we do or fail to do not just in our role as customers but also as citizens. We have failed to insist strongly enough that our governments and supranational agencies enact laws and rules which set strict moral limits on the power of big business. Most of us have neglected to inform ourselves adequately of the policies which our governments are insisting on, in our name, in international bodies such as the International Monetary Fund and the World Trade Organisation.

The economic fabric of the modern business world is supported by political and quasi-political structures and practices. Powerful corporations ensure that their interests are protected by giving legal and under-the-table support to politicians. Organisations representing business or agribusiness employ lobbyists to defend and promote their interests. Business tycoons employ clever lawyers to devise legal mechanisms which safeguard their interests. Economic advisors are employed by corporations to work out policies which favour the rich and powerful. Most of the mass media depend on advertising revenue. So they are slow to offer a serious challenge to the interests of big business. At the international level, the wealthy nations use their power to impose rules of trade which favour the interests of transnational corporations; and the result is the further disadvantaging of countries that are weak and poor.

Ideological Support

On top of all this, there is the ideological superstructure which justifies this whole system and makes it seem inevitable and normal. Mainstream professors of economics read Adam Smith selectively, ignoring the moral concern which was an important part of his position. They teach their students about the so-called immutable "laws of economics". These "laws" are said to apply, "all else being equal". But economists often choose to ignore those elements which are by no means equal—aspects of situations which are a function not of strict economics but of political power. Furthermore, there seems to be a selective blindness on the part of most mainstream economic consultants and academics. They choose to ignore the findings of those academic economists who have shown that economic decisions are frequently made not simply on the basis of hard economic facts; in practice, such decisions are influenced also by interpersonal relationships and values which are not economic in the narrow sense.[2]

What is particularly significant is the ever-increasing close links between politicians and academic economists. Anne Norton describes the situation in the USA,

where key government advisors are drawn from the top members of research foundations funded by wealthy pressure groups; and where these advisors slip seamlessly back into these foundations when they have completed their work for the government.[3] There are times when government policies on economics and the environment are just carbon copies of the policies devised in these partisan foundations and then proposed by the lobbyists of corporations, which are engaged in gross economic or environmental exploitation.

Behind the economic theory which underpins present-day economic practice lies an individualistic, deterministic, and empirical philosophy which goes back a long way. Four centuries ago, Thomas Hobbes explained the world in terms of a ruthless struggle for personal survival and self-interest. Since his time, there has been a wealth of psychological and sociological research which, by indicating the complexity of human motivation, has shown that the Hobbesian view is simplistic and inadequate. But, all this seems to be ignored by most mainstream economists and economic consultants—except, of course, where the new psychological and sociological knowledge is cleverly used in devising advertising and PR campaigns. Many of the philosophers of economics seem to be still stuck in a world as seen through the eyes of Hobbes. What they add to the individualism of Hobbes is merely a crudely simplified conception of Darwin's concept of evolution: the survival of the fittest.

The result of this is that the so-called experts have constructed a theory of economics which is individualistic, behaviourist and deterministic. A popularised version of this economic theory has been widely accepted above all by business tycoons and the top management of big corporations, and also to a considerable extent by politicians and the wider public. This helps to explain how "the business world" has become hived off from everyday life and has developed an ethos and a set of standards and practices which are greatly at odds with how most people wish to live their lives.

An Alternative Business World

The most difficult challenge which has to be faced by those who find the modern Western business world inhuman and grossly immoral is the apparent impregnability and inevitability of the present business ethos. So, it can be both enlightening and encouraging to realise that there is an alternative style of doing business—one which continues to exist in the narrow spaces where the dominant model has not yet taken over. In this section, I propose to outline some key features of this alternative system, drawing mainly on my personal experience.

Anybody who has spent some time shopping in the open-air markets of Asia or Africa soon becomes aware that buying and selling there are governed by very different norms from those of the Western business world. It is important not to romanticise this alternative system. There is no doubt that a central feature of this market world is the need and desire to buy or sell the goods at "a good price". This

much it has in common with the other system. But, alongside this strictly economic value, there are other values which seem to be equally important.

Respect is a value which must be taken very seriously when one comes to buy something at the market stall. If the seller thinks that my only concern as a potential buyer is to beat him down to the last cent, or if he or she feels insulted by my arrogance or brusqueness, then the whole transaction may fall through. If I have no interest in the seller as a person but am concerned only with the object I wish to buy, the seller will quickly be aware of my attitude and will then reciprocate it by treating me as an object—perhaps an "easy mark", somebody who can be exploited. If, on the other hand, I show some respect and delicacy in the way I approach the whole transaction, if I take time to talk to the seller and admire the goods, then the other values which are normal in this situation begin to come into play.

Sellers in these public markets are generally interested in establishing a personal relationship with the customer. If the buyer's response is positive, seller and buyer can go on to engage in the subtle game of bargaining. Playing that game successfully cannot be defined simply in purely economic terms. Buyer and seller must end up not only agreeing on the price but also respecting each other, perhaps even liking each other—or, at least open to the possibility of engaging in further transactions. If the seller experiences the buyer as a good customer, one who may return again and again in future, then the buyer may be offered an exceptionally good bargain. If the buyer develops a liking for the seller, it is quite likely that the buyer will pay more than he or she would be willing to pay the next-door seller for the same item. Furthermore, there are special occasions when traders are willing to sell for a far lower price than usual, for instance, if the buyer is the first customer of the day or the last customer in the evening.

If my mentality as a buyer is entirely mercenary and calculating, I may interpret the special offers and all the other nuances of the bargaining in narrowly economic terms. In that case, I have missed much of the point. I am like a golfer whose only interest is in winning and who scarcely adverts to the enjoyment of the game. If, on the other hand, I am able to enter willingly into this bargaining game, I will know that "success" has a much broader definition. It includes the exhilaration of wrestling with the seller, making use of various acceptable ploys, but never insulting the seller or trying to manipulate or exploit him or her. All this means that we have established a truly interpersonal relationship—at least in some degree. At best, we have become good friends. And this friendship is quite compatible with a high degree of shrewd worldly wisdom. Neither of us is naïve enough to imagine that the other is just a generous benefactor; each of us knows that the other is looking for the best available price. [4]

In the world of the street-market, both the buyer and the seller operate on the basis of a whole variety of mixed motives. This means that the buyer–seller relationship is quite similar to most other interpersonal relationships of daily life. That is the key point: that the business world has not been hived off from the rest of our everyday world. There is no assumption that the activity of buying and selling is governed by different norms and operated on the basis of entirely different values. Precisely

because it has such a central role in everyday life, it is considered vital that it be permeated by those values which are the mark of the human person and of the civilised society.

A Way Forward

It would be quite unrealistic to imagine that all business in our world today could be conducted in the way street markets are run. But the mere fact that two such systems co-exist calls into question the inevitability which so often seems to be the mark of the modern system. It can be challenged and changed—but not easily, because it is an economic system which is underpinned by powerful political and ideological forces. Because each component in the system supports the others, any effective challenge to it must come at all three levels—the economic, the political and the ideological. And the challenges at these three levels must interlock and reinforce each other.

The Economic Level

At the economic level there is already a solid basis for challenging the narrow view that "the bottom line" is the only economic value that really matters. Increasingly in recent years, economists, management consultants and business people have come to recognise the importance of what are called "soft values" alongside the "hard" economic values of profitability and efficiency. For instance, if there is a congenial atmosphere in the workplace and good relationships between managers and workers, and between the workers themselves, productivity is likely to improve.[5] Again, it is vitally important for business people of all kinds, and for those who provide professional services, to cultivate good long-term friendly relationships with their customers or clients. Furthermore, companies have found it well worthwhile to provide recreational amenities for their employees and also for the local communities where their factories or offices are situated. Finally, an increasing number of companies have begun to take action on the basis of what is called "an environmental audit". This means that, when they are planning their strategies they take account of the ecological damage that may be involved and do their best to minimise it or compensate for it. In this way, they earn credit from their clients and the wider public.

Of course, all these actions may be interpreted within a narrow economic viewpoint as concessions made in the interests of ensuring longer-term profitability. Even activities which in the past would have been seen as high-minded philanthropy are nowadays evaluated as PR projects, shrewdly calculated to enhance the profile of the company. Nevertheless, when all the "soft values" I have listed are taken seriously, they have already begun to undermine the narrow view.

This softening of the narrow and "hard-nosed" economic approach becomes even more evident when the business world begins to take account of another vitally

important "soft value", namely, creativity. The Taylorist model of economic activity encouraged owners and managers to think of workers in mechanistic terms, reducing their work as far as possible to purely routine actions. But, it is now recognized that work is carried out much more efficiently when the creativity of workers and managers is fostered by working in free-flowing teams, where there are good interpersonal relationships. Unfortunately, however, such teamwork exists only in rather specialised situations.[6]

The Political Level

This rethinking of economic values cannot on its own bring about the major change of approach which is involved in rehumanising the business world. It needs to be supplemented and supported by firm political action at national and international levels.

Already, there are indications of what needs to be done and of what is realistically possible. Some striking examples are to be found in relation to environmental issues. The UN "Convention on the Law of the Sea", worked out between 1973 and 1982, put significant limits to the uncontrolled exploitation of the seabed which had been taking place.[7] At the national level, most countries now have environmental protection agencies to monitor and limit the ways in which business enterprises are allowed to affect the ecology of the region. Of course, these agencies can be rendered ineffective if governments are subservient to the interests of big business such as oil companies; but that only shows the importance of having a high level of political and environmental awareness among the general public.

Long before the environmental issue came to the fore, people became concerned about the monopoly position of some big companies in relation to certain vital goods and services. The resultant political pressure forced governments in most countries to enact laws limiting the extent to which private companies can buy out competitors in order to gain a monopoly. Here too, the governmental agencies charged with monitoring such activities can be corrupted, or rendered spineless; once again, that shows the need for greater vigilance by the citizens.

"Transparency" has become a buzzword in recent years. People were shocked when some of the more murky activities of business enterprises were exposed. As a result, governments, acting under pressure from concerned citizens, have enacted laws which seek to ensure that companies have some degree of accountability to the wider public.

Equally important but less successful—so far at least—is the development of international trade unions or supranational federations of national trade unions. If those who have taken on this agenda can make real progress towards the internationalisation of the trade union movement, this will play a crucial role in responding to the exploitation of workers, which is one of the worst effects of globalisation.

Many concerned business people feel trapped in a "dog-eat-dog" system which seems to compel them to engage in practices which they would prefer to avoid.

Most of the exploitative and ecologically damaging practices engaged in at present by business corporations are experienced by them as "necessary". They know that their competitors are engaged in these practices and they fear that if they do not do likewise they will "go under". If, however, these practices were outlawed on an international level—and if there were effective ways of monitoring and enforcing the laws—the company executives might be quite relieved to know that their companies can survive and even thrive without engaging in this kind of exploitation.

It is not entirely unrealistic, then, to envisage a whole variety of international conventions being negotiated under the auspices of the UN, and enforced universally, which would eliminate or minimise some of the present exploitative practices. For instance:

(a) Severe curbs could be put on the extent to which transnational companies are allowed to benefit from making use of tax havens.
(b) A small tax (some variant of "the Tobin Tax") could be put on speculative financial dealings.
(c) The export of toxic materials to poor countries could be severely controlled.
(d) Much more severe limits could be put on the opportunity of business people to cheat people of their investments, or of money they are owed, by declaring a company bankrupt, while the owner walks away with the money.
(e) The unionisation of labour and the development of a truly effective international trade union movement could be fostered through binding international covenants. This could eliminate, or at least slow down, "the race to the bottom" in relation to workers' pay and working conditions.
(f) International agreements could ensure that all countries impose a tax on the use of energy. This would lessen the wasteful depletion of scarce energy resources and would reduce unemployment by making automation more costly.

These examples of actual and possible changes give some indication of what is achievable—at least in principle. National governments and international agencies have it in their power to enact a whole framework of laws, treaties and conventions governing all aspects of business activity. Such a set of rules, if wisely designed and conscientiously enforced, could prevent most of the current gross abuses and exploitation, without unduly restricting the entrepreneurial spirit. To those who claim that this is unrealistic, one can only respond: "where there is a will there is a way".

"Where there's a will . . . " There's the rub. Little or no real will to change the system is to be found in any of the Western governments today. It is quite unrealistic to expect that effective change of such an established system will be brought about by government action unless the politicians are pushed into action by very determined pressure from the ground up.

In the absence of leadership from the top, it is only through the emergence of effective leadership from below that there is any hope of bringing about the radical changes which would rehumanise the business world. The aims of such leadership would be twofold. First, to educate people to become more aware of what is actually taking place and of its damaging and corrupting effects. Secondly, to mobilise very

large numbers of citizens to exert pressure on politicians to change the legal system which underpins the unjust and inhuman practices of the business world.

Changes in the legal system will not automatically change the attitudes of the people governed by the laws. But such changes can at least close off most of the more obvious loopholes and can minimise the opportunities which those engaged in business have to exploit other people or the environment. In this way, legal changes can make it less likely that the business system itself will corrupt people by seeming to "force" them to take advantage of others.

The Cultural and Ideological Level

However, even large-scale mobilisation for legal changes is not sufficient. For what has to be changed is not just a set of laws but a whole mindset—a complex of taken-for-granted and almost unquestioned assumptions in relation to what is right or wrong, acceptable or unacceptable, in business practice. For this reason, it is necessary for us to work to change not just the laws but the mindset which lies behind them. This can be addressed from two complementary angles. On the one hand, the public at large can be educated to realise that the present system is not "set in stone"; a real alternative is possible. On the other hand, those who work "at the coalface" of the business world can be encouraged to move towards a kind of conversion—a quite radical change of priorities in the values underpinning their business transactions.

The difficulties in bringing about change have been well spelled out by Noreena Hertz.[8] Nevertheless, neither aspect of the task is impossible. We can find some fragile seeds of hope in the present situation. On the one hand, there are striking examples of how large sections of the general public are no longer willing to tolerate certain environmental abuses. Strong public pressure has been put on companies and governments in relation to some high-profile environmental issues such as whaling, dumping at sea, and safeguarding the Alaskan habitat. On the other hand, within the business world a small but significant number of people are engaged in a serious search for a more human way of doing business. These relatively minor successes may give us hope that, given the right kind of leadership, real changes can be brought about.

Leadership

In a recent book, I described a variety of ways in which leadership can be exercised. I wrote there about empowering leadership, nudging leadership, and inspiring leadership.[9] In the present situation, there is an obvious need for leadership through an *empowerment* of people to take responsibility for what is done in their name by politicians and officials. There is need, too, for the gentle, persuasive *nudging* mode of leadership, which can sometimes be more effective in bringing about change

than attempts to push people in directions which they are not yet ready to take. But, most of all, there is a crying need for *inspirational* leadership—for the kind of creative actions which catch people's imagination, and for the transparency and raw courage which can convince others of one's sincerity. A key aspect of this inspirational leadership is the gift of communication—the power to touch the hearts and minds of millions of people, even in situations where most of the mass media is controlled by those who are opposed to change. However, this must be combined with the organisational ability which enables true leaders to mobilise people without manipulating them.

Those who give leadership must be content to work for slow incremental changes in the system and in the mindsets which underpin it. But they are also entitled to hope for an occasional sudden breakthrough. It is not difficult to find recent instances of such breakthroughs. One is the confession by a congressional lobbyist in the US of the myriad ways in which governmental decisions have been influenced by bribes and favours from big business. Another is the stronger than expected "no-punches-pulled" condemnation, by an Irish judicial tribunal, of corruption of politicians and of high officials in the public services. However, leaders who work to change the system must also be prepared for occasional setbacks, such as the appointment by the present US administration to key positions in the World Bank and the UN, of men who strongly resist the kind of changes advocated here.

A Role for Spirituality and Religion

So far, I have been focusing mainly on *what kind* of changes are called for and *how* changes might be brought about. But we must not forget the more important issue of *why* such changes are desirable. This is where spirituality and religion come into the picture. I believe that most people act—at times, at least—on the basis of some spirituality, however inadequate or implicit it may be. Even though some are reluctant to use the *word* "spirituality", the majority of people have some explicit or implicit vision of life which lies behind their more generous or less selfish actions and attitudes; and this is what I have in mind when I speak of spirituality.

I understand the word "spirituality" in a very broad sense. One aspect of it refers to ethical issues such as our relationships of respect, trust, forgiveness and love for others; our desire for personal integrity and transparency; and our concern for social justice and for the environment. Another aspect has to do with our search for inner peace and serenity, the letting in of an awareness of fragility and vulnerability, and perhaps a feeling of harmony and oneness with nature. A third aspect of spirituality has to do with our vision of the world and our sense of our own personal calling in life—perhaps our destiny. This may or may not be linked to a more or less explicitly articulated notion of some benevolent power beyond the world or within it; a power with which one may perhaps have a personal relationship, a sense of being guided and cared for; an ultimate source of hope and of the energy to continue on when the more obvious supports are no longer present.[10] A fully rounded spirituality should, I

believe, include all of these aspects, preferably in a fairly explicit form. In practice, however, quite a lot of people take little account of some aspects and focus their attention on others.

Such an integral spirituality gives one a range of purposes and values which are immensely richer and more humanly fulfilling than the ones which lie behind the modern Western approach to business. Within that broad vision, profitability or "the bottom line" undoubtedly remains important—but as a means rather than as an end in itself.

The various religions may be seen as articulations of spirituality, as spiritual traditions which can be passed on from one generation to the next. Each of these traditions generally includes a set of beliefs, a pattern of expected moral behaviour, a set of symbols and rituals, and some system of leadership or ministry.[11]

At their best, authentic spirituality and the various rich spiritual traditions or religions offer a quite radical alternative to the dominant values and disvalues of the modern business world. But to what extent *in practice* do individuals or communities experience their spirituality or religion as calling them to challenge the present business ethos, and to work to transform it into an ethos that is more just and more humane? To what extent does it nourish their courage to devote themselves to the task, and their endurance to survive and grow in the midst of the struggle and the pain which it will involve? There is no universal answer to these questions, since the answers vary from one place to another, from one time-period to another, and from one person to another.

Different Situations, Different Attitudes

At the present time, it is clear that, in some sectors of the business community in the US it is acceptable to give public visibility, on the fringes of the business world, to a loosely non-denominational version of Christianity which has a faintly evangelical tone. This seems to offer many business people a considerable degree of spiritual nourishment. The significance and value of this type of religion should not be played down. For, over and above the peace of mind and sense of security which it offers, it also puts people in touch in some degree with a long and strong tradition of personal morality which goes back to the Founding Fathers of the USA. However, it must be said that this version of Christianity offers little or no serious challenge to the present dominant business ethos. Indeed, it even supports that ethos by the very fact that it does not challenge it explicitly or effectively.

In other sectors of the business community in the US, and more particularly in Europe, most business people would object to an invocation in their workplace of any formal religion. But, there are some people in these areas who are open, in varying degrees, to a rather more generic approach to spirituality. Nowadays, there are a growing number of business consultants whose repertoire includes exercises and practices which are either explicitly or implicitly "spiritual" in nature. Some of them are mainly concerned with the fostering of creativity and of people's intuitive

powers. The purpose of others is to help managers and workers cope with stress by developing an inner peace. Others again set out to generate an atmosphere of respect and cooperation in the workplace.[12]

In these various ways, the "spiritual" practices help people to break out, to some extent, of the dominant business ethos. So, they must be welcomed as important contributions towards rehumanising the business world. But very few go so far as to challenge the present business model explicitly.[13] I note in passing that enthusiasm for these various elements of spirituality tends to be more evident among management consultants than among the business people who are their clients. This is perhaps because, for the consultants the "bottom line" pressures may be less immediate; and the consultants have probably had a broader range of experience and are more up-to-date on recent developments in the field of management theory.

Working with Business People

As I mentioned earlier, there exists within the business world a small but significant number of people who are seriously engaged in searching for a more human way of doing business. These are people who do not want to confine their spirituality to the private sphere; they see it as also very relevant to the business world. Margaret Benefiel's recent book gives an interesting account of the combined business and spiritual journeys of several of these people.[14] Some of them have opted for one or the other of the mainstream religions. Others are rather more eclectic in drawing on a variety of traditions for spiritual nourishment.

There is no way in which spirituality can be imposed on business people, even on those who are most open to the spiritual. They must choose one they find relevant to their situation and their issues. They may adopt some existing spiritual tradition to which they are attracted. Alternatively, they may work out their own spirituality, drawing, to a greater or lesser extent, on various religious or spiritual traditions. At present, most of those who feel the need for an explicit spirituality seem to combine these two approaches.

In this situation, I think it is important that Christian leaders and theologians use language and symbols which are intelligible and attractive to people immersed in the business world. I have the impression that the Christian vision and value system is often presented in a way that many business people find somewhat irrelevant to the specifically business aspects of their lives. And, some Christian leaders and preachers give support in areas where challenge is called for and pose a challenge in matters that are less important.

My own interest, at present, as a theologian and as a consultant/resource person, is not so much in finding ways to express the Christian message in more relevant language; I think there is a prior task which I must undertake first. It is one of listening—being open to notice the seeds and blossoms of authentic spirituality which are already present in people and in their worlds. My aim in this listening

is to uncover what Paulo Freire calls the generative themes and issues which are stirring in people's hearts and minds.

Freire pointed out that effective leadership and movement towards change can come about only when one is able to touch into the deep concerns and desires in the hearts of people.[15] His main interest was in raising the consciousness of poor and marginalised people. But his insight about the importance of finding generative issues can be applied equally to business people. They too can be inspired to work for quite radical changes, once they draw on the energy attached to issues that are "generative" for *them*. For many business people today, a truly generative issue is an exploration of their personal spirituality. It provides a context in which they can listen to the "still small voice" of conscience, which had previously gone partly unheard because its demands had seemed unrealistic.

Frameworks for Change

I sometimes use a workshop called "Frameworks for Change" which can be a powerful and life-changing experience for business people who are deeply committed to the search for a rich and meaningful spirituality.[16] The experience of those of us who use this "tool" is that it enables participants to explore the different dimensions and levels of a rounded spirituality, rather than limiting themselves to just one aspect, such as the need for inner peace.

The first priority in this workshop is to create a safe space in which the participants can take the risk of baring their souls. If the atmosphere is right, they will be willing to drop the mask of assurance which the ethos of the business world tends to evoke. They no longer feel that they have to "put a good face on things" and to pretend that "everything is under control". Then they can share openly about their own personal difficulties and hesitations. Among the issues and questions which emerge are concerns about the quality of the relationships among the workforce, the pressures under which they and their employees are working, the ethos of the business as a whole, and the role and effects of their particular business in the wider world.

The "Frameworks for Change" workshop is designed in such a way that, in its early stages, the participants have the opportunity to explore very personal issues such as their hunger for a spirituality of personal authenticity and integrity. What often emerges is a willingness to show their vulnerability. This can be the beginning of a new openness to the questioning and the qualms of conscience, which are a vital part of spirituality. Listening, sharing, and supporting each other, the participants break out of the shell of isolation and silence which allowed little opportunity for them to express their doubts about the so-called iron laws of economics and the ethos of the business world.

The Frameworks process then leads the participants on to explore the aspects of their spirituality which have to do with cooperation and teamwork. They can address difficulties which are blocking team members from working together creatively and

with mutual respect. Hopefully, they may find ways in which management structures and practices can foster these values.

There are two further stages in the workshop. The first of these offers the participants the opportunity to explore spirituality issues related to the overall purpose and structure of their business organisation. The final stage invites them to look at their enterprise in the light of still wider issues of spirituality, such as cultural diversity, ecological sensitivity, social justice and patriarchy.[17]

The key point, however, is to stay with the experience of the participants, helping them to explore and articulate the elements of spirituality which are already present within them—perhaps in a latent or implicit way. The facilitator should not try to push them on to what he or she may see as a more authentic or advanced type of spirituality. A number of the issues I have just mentioned may be "a bridge too far" for some business people. If they are not yet ready for such a sophisticated and intense workshop, it is better to work with them at a level where they feel safe and are more at ease—while gently inviting and nudging them to take the risks involved in going deeper.

For me, as a theologian, it is important to be patient, trusting that the Spirit is already at work in the secret places of people's hearts. When working in a participative way with groups, it seems better not to present them at once with a fully worked-out Christian system of beliefs and values. To do so may cause them to feel that it is being imposed on them from outside. I believe that, if I trust the inner guidance of the Spirit in those who are sincerely searching for an authentic spirituality, their inner wisdom will eventually find an echo in the message of Jesus. At that point, there may be room for a more explicit presentation of Christian teaching. But that may take a long time. In the meantime, the priority is to water the seeds.

Conclusion

The task of humanising the business world is one of the major challenges of our time. I have suggested that this task needs to be approached at two levels. On the one hand, it is important to work with those members of the business community who are open to the possibility of finding an alternative style of doing business—one that operates on the basis of a richer set of values than those which are dominant at present. On the other hand, there is need to educate the wider public, making them more aware of the harm being done by the present system and of the possibility of change. This can lead on to having them exert strong and consistent pressure on "the powers that be" to introduce legislative changes which can go a long way towards ensuring that business is conducted in a more just, respectful and humane manner. A holistic spirituality can provide valuable insight about the kind of changes that are required. It can also offer inspiration and energy to those who work for change.

Notes

1. Sean Ruth cites R. Barker as maintaining that "leadership has been reduced to slogans and become equated with economic success and the manipulation of people" – Sean Ruth, *Leadership and Liberation: A Psychological Approach*, London and New York, Routledge, 2006, p. 51. Ruth himself (ibid. p. 55) suggests a broader context for this debasement of the concept of leadership when he says that even in public and national leadership the "focus is on doing whatever it takes to get ahead."
2. Benedetto Gui (2000), "Beyond Transactions: On the Interpersonal Dimension of Economic Reality", *Annals of Public and Cooperative Economics* 71:2 (June 2000): 139–170; Bruno Frey (1998), *Not Just for the Money: An Economic Theory of Personal Motivation*, Edward Elgar, Cheltenham UK, and Northampton MA, USA.
3. Anne Norton (2004), *Leo Strauss and the Politics of American Empire*, New Haven, Yale.
4. A very similar system applied to much of the buying and selling which took place in my village in the West of Ireland when I was a child; it governed everything from selling a cow at the cattle fair to buying a pair of boots in a local shop.
5. Cf. Margaret Benefiel (2005), *Soul at Work: Spiritual Leadership in Organizations*, Dublin, Veritas; and New York, Seabury Books, 35
6. Cf. Timothy James Bowman (2004), *Spirituality at Work: An Exploratory Sociological Investigation of the Ford Motor Company* unpublished doctoral thesis of the London School of Economics and Political Science (cited with the permission of the author). For a more extended account of Bowman's research see Donal Dorr (2007), *Faith at Work: A Spirituality of Leadership*, Collegeville, Minnesota, Liturgical Press, 56–59; the European edition of this book was published in 2006 under the title *A Spirituality of Leadership: Inspiration, Empowerment, Intuition and Discernment* (Dublin, Columba Press) and the page reference there is 68–70.
7. See www.un.org/Depts/los/convention_agreements/convention_overview_convention.htm (accessed 14 January 2006).
8. Noreena Hertz (2001), *The Silent Takeover: Global Capitalism and the Death of Democracy*, London, Heinemann, 80–8, 154–5, 195.
9. Donal Dorr (2007), *Faith at Work: A Spirituality of Leadership*, 73–91; (in the European edition of this book the page reference is 87–105).
10. See my more extended treatment of spirituality in Donal Dorr (2004), *Time for a Change: A Fresh Look at Spirituality, Sexuality, Globalisation and the Church*, Dublin, Columbia Press, 13–56.
11. Ibid. 57–64.
12. For a helpful summary of various stages of personal and corporate growth in spirituality see Sue Howard and David Welbourn (2004), *The Spirit at Work Phenomenon*, London, Azure, 164–5.
13. See my extended treatment of the different levels of spirituality in, Donal Dorr (2002), "Bringing Ethics and Spirituality into Business" 195–213 of Pontifical Council for Justice and Peace, *Work as the Key to the Social Question: The Great Social and Economic Transformations of the Subjective Dimension of Work*, Vatican City, Libreria Editrice Vaticana.
14. Benefiel (2005), *Soul at Work*.
15. Paulo Freire (1985), *Education for Critical Consciousness* (revised edition), London, Sheed and Ward.
16. See http://www.innerlinks.com/frameworks (accessed 28 January 2008).
17. For a fuller account of this workshop see Donal Dorr, "Bringing Ethics and Spirituality into Business" 206–212.

The UN Global Compact: The Challenge and the Promise

Oliver F. Williams

Any volume such as this one on *Leadership and Business Ethics* would be incomplete without some discussion of a major leadership initiative in business ethics of the United Nations, an endeavor known as the Global Compact. The United Nations Global Compact is a new initiative intended to increase and to diffuse the benefits of global economic development through voluntary corporate policies and actions. Kofi Annan, the then Secretary-General of the United Nations, addressing the Davos World Economic Forum in January 1999, challenged business leaders to join a "global compact of shared values and principles" and to provide globalization a human face. Annan argued that shared values provide a stable environment for a world market and that without these explicit values, business could expect backlashes from protectionism, populism, fanaticism, and terrorism.[1] Following the 1999 Davos meeting, Annan and a group of business leaders formulated nine principles, which have come to be known as the UN Global Compact. After lengthy consultation, a tenth principle against corruption was added in June 2004.

The ten principles of the Global Compact focus on human rights, labor rights, concern for the environment, and corruption and are taken directly from commitments made by governments at the UN: the Universal Declaration of Human Rights (1948); the Rio Declaration on Environment and Development (1992); the International Labor Organization's Fundamental Principles and Rights at Work (1998); and the UN Convention Against Corruption (2003). The principles are:

Human Rights

Principle 1

> Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

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Principle 2
: make sure that they are not complicit in human rights abuses.

Labor

Principle 3
: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4
: the elimination of all forms of forced and compulsory labor;

Principle 5
: the effective abolition of child labor; and

Principle 6
: elimination of discrimination in respect of employment and occupation.

Environment

Principle 7
: Businesses should support a precautionary approach to environmental challenges;

Principle 8
: undertake initiatives to promote greater environmental responsibility, and

Principle 9
: encourage the development and diffusion of environmentally friendly technologies.

Corruption

Principle 10
: Business should work against corruption in all its forms, including extortion and bribery.

The Global Compact was designed as a voluntary initiative. A company subscribing to the Principles is invited to make a clear statement of support and must include some reference in its annual report or other public documents on the progress it is

making on internalizing the Principles within its operations. The company must also submit a brief description of this report to the Global Compact website. Failure to submit such a description within two years of becoming a signatory to the Compact (and subsequently every two years) will result in being removed from the list of participants. The intention is that, through leading by the power of good example, member companies will set a high moral tone operating throughout the world. The overall thrust of the Global Compact is to accent the moral purpose of business and is summarized well by Ban Ki-Moon, current secretary-general of the UN, in a quotation that appears in the promotional brochure:

> We need business to give practical meaning and reach to the values and principles that connect cultures and people everywhere.[2]

The Global Compact has particular relevance for Africa. Consider the world poverty situation where there are some grounds to celebrate. For example, according to the World Bank, extreme poverty in East Asia was reduced in the period from 1981 to 2001 from 58% to 15%; and in South Asia from 52% to 31%. Those same World Bank estimates, however, paint a much more somber picture of Africa; in the last 20 years, extreme poverty, which is defined as living on an income of less that $1 a day, has actually increased for 100 million people in Africa. Three hundred million people, almost half of Africa's population, live in extreme poverty and are without adequate food, shelter, medical care, education, and such simple things as safe drinking water and proper sanitation.

One dimension of the Global Compact is to develop local networks, that is, groups of companies, non-governmental organizations (NGOs) and other key actors, in a region, a country or industrial sector. Through such networks—and they were present in over 80 countries in late 2007—multinational companies and organizations involved in the Global Compact at the international level have the opportunity to engage and to discuss issues at the regional level. Having agreed to be guided by the ten principles, the companies have an opportunity to explore what these principles might mean in a specific context. For example, the local network in South Africa has focused on projects on black economic empowerment and HIV/AIDS, as well as environmental, social and corporate governance issues, crucial matters for that region.

While there has been a good reception to the Compact, with over 3,000 companies signing throughout the world and some of the most influential companies from Europe joining, the majority of businesses in the world have not signed on.[3] In fact, less than 50 of the major U.S. companies joined as of November 2007. Still, there are already some important signs of progress on the global level with the Compact. Two significant case studies have been produced, one on Novartis which shows how the company integrated the principles into its strategic planning process and another on Samarco's oil recycling program to reduce environmental damage from the fishing industry. Several global meetings have been held, one on Conflict Risk Assessment and Risk Management, and another on HIV/AIDS in the workplace. An important policy paper on Transparency has resulted from meetings as well as initiatives to increase sustainable business development in Least

Developed Countries. Over 100 examples of good corporate practice are discussed on the Compact website as well as all the projects indicated above. In July 2007, the United Nations Secretary-General, Ban Ki-Moon hosted the Global Compact Leaders Summit in Geneva where over 1,000 business leaders, politicians and civil society representatives discussed a renewed focus on corporate citizenship around the world.

Accountability: The Crucial Issue

Where there is reluctance to join the Compact, it often centers on the accountability issue. In an environment of increasing skepticism, without a traditional accountability structure or monitoring as part of the Global Compact, its legitimacy will be in question. There are two categories of critics and both need to be addressed. Some scholars who have contributed important research on codes of conduct see the Compact as another code without accountability, a public relations document without substance. How does one know that a business that claims to be following the principles of the Global Compact is actually doing so? Code scholars argue that an independent group of monitors with quantifiable and objective measures that translate general principles into operating standards is the way to assure that companies are accountable. Without this objectivity, precision, and transparency, these "code critics" will find little that is helpful in the Compact. Prakash Sethi, perhaps the code scholar most critical of the Compact, makes these points as well. As discussed below (cf. Accountability and Code Scholars), I argue that such critics assume that the Compact is something that it is not, a code, and that they miss the role envisioned for the Compact by its advocates.

More fundamental criticism comes from NGOs and others critical of the globalization of the economy. They view the Compact as a cover story, giving legitimacy to an idea which has yet to prove itself. This group argues for a mandatory legal framework as the only way to guarantee that companies are accountable to the least advantaged in the global economy.

Given this environment, many businesses ask whether signing the Compact will be more trouble than it is worth. Further, should a comprehensive accountability structure be developed, will the loss of discretionary power, time, and resources–what economists call transaction costs–be prohibitive?

An additional difficulty with the accountability issue, underscored by both schools of critics, is the elusive nature of the Global Compact's principles on human rights. Can we develop a consensus that captures the legitimate expectations of society in this area? While the companies are in broad agreement with the human rights principles of the Global Compact, there is some apprehension that joining the Compact could lead to societal expectations that companies routinely have the obligation of correcting rights abuses. Where and how do we draw the line on obligations of business in the area of human rights? While at least some leading multinational companies understand that they must become proactive and meet societal expectations

in a global economy, there is also a growing awareness that these expectations in the area of human rights are often unclear. In the litigious environment of the U.S., companies have been reluctant to sign the Compact without a clear idea of their responsibility and accountability. What follows is a clarification of the accountability issue drawing on literature in the business ethics field which may encourage companies to rethink their reluctance to join the Compact.

Before proceeding, however, it is interesting to note some of the reasons the European companies have not shared, for the most part, in the U.S. reluctance to join the Compact. To have a sense of the problem here, in 2004, 192 of the "Fortune Global 500" (which is the top 500 corporations in the world in terms of revenues) are U.S. companies and only 6 (3.1%) have joined the Global Compact. One hundred and sixty-three of these companies are based in Europe and of these, 64 (40%) have joined the Compact. According to Georg Kell, the Executive Director of the UN Global Compact, European companies have not been deterred from joining either because their government regulatory environment has already mandated the substance of the Global Compact, or because they operate in a less litigious and adversarial context. A 2004 assessment of the impact of the Global Compact by McKinsey and Company, in addition to the point on fear of litigation, also cited two other concerns of U.S. companies: the implications of labor rights of the Compact; and the value of associating with a UN endeavor. European signatories are not overly concerned that corporate critics will use the Compact as a weapon in a struggle. This observation is similar to that of a study of various country codes of conduct employed during the apartheid era in South Africa where it was found that there was much less pressure on companies from NGOs and others for accountability in Europe than in the U.S. This was the case even when European companies were doing much less in the way of monitoring and verifying their attempts to dismantle apartheid than their U.S. counterparts who were participating in the Sullivan Principles and its accountability structure.[4]

Accountability and the Globalization Critics

An important group of critics do not believe that economic globalization, as it is presently conceived, will ever bring authentic development to the poor, even if the principles of the Compact were implemented. Accountability for this sort of critic would involve carefully assessing whether the poor and developing nations are indeed better off with economic globalization. They are angry that UN leaders with the Global Compact and its voluntary nature have assumed the answer. In the final analysis, this school of thought sees the only answer to the plight of the poor as a radical change, "a binding legal framework for the transnational behavior of business in the human rights, environmental and labor realms."[5]

A July 20, 2000, letter from prominent scholars and NGO leaders to UN Secretary General Kofi Annan summarizes this objection.

> We recognize that corporate-driven globalization has significant support among governments and business. However, that support is far from universal. Your support for this ideology, as official UN policy, has the effect of delegitimizing the work and aspirations of those sectors that believe that an unregulated market is incompatible with equity and environmental sustainability.... Many do not agree with the assumption of the Global Compact that globalization in its current form can be made sustainable and equitable, even if accompanied by the implementation of standards for human rights, labor, and the environment.... We are well aware that many corporations would like nothing better than to wrap themselves in the flag of the United Nations in order to "bluewash" their public image, while at the same time avoiding significant changes to their behavior... Without monitoring, the public will be no better able to assess the behavior, as opposed to the rhetoric, of corporations.[6]

It is well beyond the bounds of this study to make some final judgment on the merits of the contemporary practice of economic globalization, but I do submit that there is a convergence in the vision of the globalization critics and the Compact. Both are trying to retrieve the notion that there is a moral purpose of business not only in wealth creation but also in its distribution.

Perhaps the moral philosopher who has developed the intellectual underpinnings for the most demanding vision of the moral purpose of business is Alasdair MacIntyre.[7] Will the higher standards of living, if they ever come to poor countries, in fact, lead to a better quality of life? MacIntyre, in the face of a globalized economy he characterizes as marked by individualism and acquisitiveness, opts for an economic community where the virtues of character essential for the good life can flourish. He uses the example of two fishing communities, one characterized by a single-minded quest for profits and the other by a wider range of objectives including sustainability, community preservation, and promoting excellence in the task of fishing.[8] It is helpful to focus on the convergence in the views of MacIntyre and Annan in that both are trying to retrieve the notion of the moral purpose of business.

One way to view the Compact is as an attempt to revive the moral underpinnings of the economy that were assumed by Adam Smith. While many would characterize the world view of MacIntyre's first fishing village as that of Adam Smith (1723–1790), I join those who have another interpretation.[9] In *The Wealth of Nations*, Smith sought to understand why some nations were wealthier than others. Part of his answer was that nations that encouraged free competitive markets were wealthier. In a curious kind of way, in the context of the economy, *when each person pursues his or her self-interest the common good is enhanced* and all are wealthier. Given competition, the baker bakes the very best bread possible and sells it at the lowest price feasible so that he will have the resources to buy what he wants. Although motivated by self-interest, the result is that the community has good bread at a reasonable cost. Thus Smith showed how economic self-interest was beneficial for the community.

In my view, however, the crucial point in Smith's analysis is his assumption in *An Inquiry* that is quite explicit in his *The Theory of Moral Sentiments*: The "self-interest" of business people would be shaped by moral forces in the community so that self-interest would not always degenerate into greed and selfishness. Wealth

creation enabled and sustained a humane community when it was practiced by virtuous people.

The Compact is not going to shape global business to be like MacIntyre's ideal fishing community any time soon. My argument is that Smith assumed that an acquisitive economy existed in the context of a moral community that would ensure that single-minded focus on making money would not perdure. Yet it is precisely this challenge of fostering the growth of humane values in the *global* society, a challenge heretofore managed by nation states for their own domestic situation, that marks the unique mission of the Global Compact.[10] The argument made by Global Compact officials is that unless the moral purpose of business is retrieved, economic globalization is doomed to failure.

> It is precisely because a backlash to globalization would represent a historically unmatched threat to economic prosperity and peace that the Global Compact urges international business leaders to take reasonable steps to secure the emerging values of global civil society in exchange for a commitment on the part of the United Nations to market openness.[11]

Globalization critics see little value in the Compact unless "the emerging values of global civil society" are somehow mandated by a worldwide legal framework. The Compact, seeing little prospect for worldwide legal statutes, advances a vision of the moral purpose of business that relies on transparency and the interest companies have in maintaining their good reputation as the ultimate sanction.

There is a growing awareness by multinational companies that global business is only possible in a world where basic ethical principles are assumed. Some evidence for this moral sensitivity of multinational companies is seen in the formation of the Caux Principles, a set of moral ideals not too unlike the Compact, subscribed to by a number of prominent global companies. Founded in 1986, the Caux Principles do not have the visibility, global reach and convening power with many stakeholders that accrue under the umbrella of the United Nations, but they do represent a significant attempt by companies to accent the moral purpose of business.[12] Largely because of the UN sponsorship, I argue that the Compact has the potential to be a more effective vehicle than Caux has been.

The moral context assumed by Adam Smith in his *Wealth of Nations* and made more explicit in The *Theory of Moral Sentiments* is retrieved with the notion of a Global Compact. Without the values embedded in the Compact, for example, trust, fairness, integrity and respect for people, global capitalism would neither be effective nor considered legitimate for long. In my view, Smith offers two sorts of justification for doing the right thing. In the *Wealth of Nations*, a utilitarian moral logic is the primary justification, whereas in *Moral Sentiments*, one does the right thing because it is the right thing to do. Both of these types of justifications are assumed by the Compact. Principles concerning the environment and safety in the workplace, for example, are justified by the first sort, while the Principles concerning human rights are largely matters justified by the second type. The Compact brings to the fore that business has a moral purpose and this is highlighted

by the quotation from Kofi Annan often cited where he refers to business's role concerning "the needs of the disadvantaged and the requirements of future generations."

To be sure, the Global Compact of today is a far cry from a force that might shape significant changes in the moral values of the global community. Yet, one has to start somewhere and the authors of the Compact envision it as an incremental process of learning and improvement, rooted in local networks sharing the same universal values, that is now only at the starting gate. Not too unlike the Reverend Leon Sullivan's famous Sullivan Principles, the initial programs are only the seeds of the many flowers to bloom in the future.[13] One key difference of the Global Compact from the Sullivan Principles is that the moral leadership for moving the process along will not come from one charismatic leader (Sullivan) but rather from a coalition of major firms, NGOs and other members of civil society under the leadership of the UN Secretary-General which sees the value of the moral purpose of business.

Of course, one premise of the Compact is that there will always be NGOs, activists, social investors and others who will be on the scene to pressure firms and the Global Compact to be better corporate citizens.[14] There is a growing realization that non-governmental organizations (NGOs) or organizations of civil society play an important role in such a dialogue, for their focus is properly the common good—the culture of civility, health, environmental protection, and so on. This is certainly not to say that NGOs are always above reproach for they too need accountability structures. In economic terms, NGOs focus on overcoming the negative externalities of business. Already major NGOs, including Amnesty International, Oxfam, Human Rights Watch, World Conservation Union, World Wildlife Fund, and Transparency International have joined and are participating in the deliberations of the Compact. The International Confederation of Free Trade Unions, business associations, and academic and public policy institutions have joined as well.

Thus, while I understand that globalization critics, such as those who signed the letter cited above (cf. endnotes 5 and 6), ultimately believe that some sort of international law is the only way to hold firms accountable for their moral purpose, I have argued that, in this far from perfect world, a very good vehicle to retrieve the moral purpose of business is the Global Compact. For their part, multinational companies should view Compact deliberations with NGOs and others as potentially a significant contribution to the shaping of societal expectations for business. For this reason alone they should join the Compact.

Accountability and Code Scholars

The great majority of scholars and activists in business-related fields who have studied codes of conduct argue for accountability structures primarily to engender trust in an increasingly skeptical public. In an exhaustive study of what could be learned from the Sullivan Principles in South Africa for global codes today, one key finding was that "an independent oversight monitoring function is an absolute necessity."[15] This lack of an independent monitoring provision is the most significant criticism

of the Compact. Given the current structure of the Compact, it is quite possible for a company with a poor record in labor or the environment to highlight another area of corporate citizenship in its annual report where its record is superlative. The general public will only have the knowledge about a company that the company chooses to report. Granted the Global Compact's network structure is designed to enhance corporate learning through "best practices" and other measures, critics continue to call for some performance standards and verification procedures. Prakash Sethi writes: "The Global Compact . . . provides a venue for opportunistic companies to make grandiose statements of corporate citizenship without worrying about being called to account for their actions."[16] Compact officials respond that this criticism misses the point. "The Global Compact is not designed as a code of conduct. Rather it is a means to serve as a (frame) of reference to stimulate best practices and to bring about convergence around universally shared values."[17] At this stage, the goal is to gain consensus on the moral purpose of business and to include the substance of the principles as a part of business strategy and operations. Since companies will include a discussion of their Compact-related activities in their annual reports, the power of public transparency and the watchdog role of the media and NGOs serve as an accountability structure. What Compact advocates have in mind is that, when actual business practice falls short of ethical standards, public criticism is a good corrective. For example, Lynn Sharp Paine, in an insightful study of the merging of social and financial imperatives, discusses how Royal Dutch/Shell made a major change in policy and practice after strident criticism of its activities in Nigeria.[18] Although Shell has had serious problems in 2004 with top management overstating oil reserves, the company is still considered by many to be a leader in promoting and protecting the rights of workers and communities. Yet, even with this role of the press and activist groups, while the Compact is a noble endeavor, unless the participating companies are involved in some sort of independent monitoring and verification system, corporate critics (even those in the moderate camp) may never acknowledge its legitimacy.

Some critics point out that the Compact may be the victim of "adverse selection," that is, the companies most eager to join are those tainted by bad press and in need of a good public image. Needless to say, should this be a valid criticism, the most highly regarded companies may shun the Compact. Called "bluewash" by some, the critique argues that the UN is being used by companies to overcome a poor track record on social issues, for example, bad press because of sweatshops or low wage rates. Critics often cite Nike, a signer of the Compact, as an example of adverse selection. In all fairness, it must be said that after severe criticism by NGOs, Nike is now thought by many to be a model corporate citizen as far as assuming responsibility for working conditions in suppliers' plants. The typical position in the past was that, since multinational companies did not own suppliers' factories, they were not responsible for them. Auret van Heerden, the executive director of the Fair Labor Association (FLA), an NGO that monitors working conditions in the apparel industry, was recently quoted on Nike in the *Los Angeles Times*: "A company like Nike has moved way beyond that and has agreed that even though it doesn't own the factories, it will be responsible for conditions in any supplier's plant."[19]

Scanning the list of current signatories, adverse selection does not appear to be a problem at this time. For example, Compact member companies not based in the U.S. include five of the top ten Fortune Most Admired Companies (outside the U.S.): BMW, Nokia, Nestle, BP and Royal Dutch/Shell Group.[20]

Compact officials note that their endeavor is incremental and will evolve as the need arises and as the companies perceive the need for change.[21] As noted above, the requirement for some accountability structures is a need that almost all observers have identified. Just as accountability structures in quality management (International Organization for Standardization – ISO quality standards) have become a business imperative today, largely through pressures from competitors, consumers and the media, so too can they in the area of corporate responsibility.[22]

Perhaps, the best hope for transparency and accountability standards is the reporting mechanisms that would enable verification and monitoring being developed by the Global Reporting Initiative (GRI). The GRI grew out of the work of the Coalition for Environmentally Responsible Economies (CERES). Originally the CERES Principles were concerned only with environmental reporting and, in its early days in the late 1980s, only small firms with intense interest in the environment were willing to join and publicly report in standard metrics. In recent years, most major firms have published reports which disclose and measure their environmental record using the standard metrics of CERES. This led to a call to develop comparable reporting mechanisms for the economic and social areas and thus the founding of the GRI by CERES.[23] Sometimes called the triple bottom line (economic, environmental and social), or sustainability reporting, the attempt to disclose and measure the full impact of a business is the ongoing project of the GRI. At present, the Global Compact encourages signatory companies to participate in the GRI but does not require it.

The GRI Sustainability Reporting Guidelines (2002) presents a framework indicating what should be in a good company report. While the Guidelines are a good start, they are still far from adequate. For example, they include 50 core indicators of quality yet 16 of these indicators focus on whether the company has a policy or process that deals with an issue and not on how the company is performing on that issue. A policy on child labor or downsizing tells little about how the company performed in that area.[24] Tracking a company on certain issues from year to year requires some performance metrics that all can understand. While the indicators in the environmental area are clear and useful to stakeholders, the social reporting indicators are only in their infant stages and much more dialogue and consensus building is required. That being said, it should be noted that the GRI has always had a social performance indicator on bribery and corruption, which, until June 2004, was a glaring omission in the Compact. The 2007 document *Making the Connection: the GRI Guidelines and the Global Compact Communication on Progress* marks an advance in the process. It offers helpful guidance for using the new Third Generation (G3) of GRI's Sustainability Reporting Guidelines for preparing the Global Compact Communication on Progress Report. While the G3 Guidelines are clearly an advance, there is still a need for further development that presents more quality information to stakeholders. For example, most stakeholders want to know how a

company is implementing an ethical corporate culture, embedding the principles of the Global Compact in the organization, and the G3 Guidelines are not helpful here.

While the Global Compact has no required standard reporting provision at this time, it does encourage signatory companies to use the GRI. In fact, it will likely be increasingly clear that for the Global Compact to be a significant force, either the Global Reporting Initiative or something similar to it will be a necessary complement. Nevertheless, the independent monitoring and verification feature will probably never be a task of the Compact itself. Further, Compact officials do not believe such a role to be part of the UN mandate. Imagine a group like the Rotary Club that forms a community, promulgates moral ideals and encourages people to formulate a life plan based on such a vision. Although this organization may expel members who flagrantly and publicly violate core moral ideals, it does not itself police, enforce, or measure how well individuals do. This self-understanding is an approximation to that of the Global Compact; as prescribed in the "Global Compact Integrity Measures" (see website), the Compact can expel members for egregious violations but it does not have a regular monitoring and verification feature.

Accountability and Gaining Consensus: The Two-Tier Pricing System

There are a number of issues where there is little consensus on how to justify the apportioning of responsibility, particularly in the area of the environment and human rights. One example concerning the pharmaceutical industry meeting human rights may illustrate the role of ethical research in helping to gain consensus and shaping societal expectations. This example and the pages that follow are presented more to stimulate further thought and research rather than to provide a final answer, for the whole pricing structure of the pharmaceutical industry needs further understanding and analysis. Until this happens, there is little prospect that the GRI will develop a comprehensive, standard metric responding to the right of health care and treatment built on societal consensus. Yet, policies are being made in apportioning responsibility for health care, and normative theory can help in understanding them and formulating better ones.

One policy the pharmaceutical industry has produced to allow the poor in developing countries the possibility of affording lifesaving drugs is a two-tier pricing system that charges considerably more in affluent countries and thus covers the cost of current research for future products. This policy has caused no small controversy, particularly in the United States. There is considerable ethics research, however, which can provide a normative framework for this policy. For example, one might argue the case from a common good, a justice, or a rights perspective.[25]

One normative theory, which holds promise for clarifying and providing an ethical justification for a two-tier pricing system, is integrative social contract theory (ISCT). In ISCT, the most basic principles summarizing a broad consensus about behavioral norms are called "substantive hypernorms," principles "so fundamental

to human existence" that they are found in "a convergence of religious, political and philosophic thought."[26]

The case of apartheid in South Africa may be helpful to illustrate briefly the justificatory and explanatory role of ISCT. In South Africa up to the late 1980s, the rules that governed the society as well as individual firms (rules called social contracts or microsocial contracts in ISCT) assumed that black people should not have full political and civil rights. While social contracts do not have to be the same in all nations, companies, or groups—for there is a wide range of "moral free space"—all micronorms must be consistent with hypernorms in order to carry objective moral weight. Thus the apartheid laws and company policies, which denied people political and civil rights on the basis of skin color and race, were "illegitimate" micronorms. Although the apartheid policies were based on mutual consent of the voters (who were only of the white race), and reflected in both their attitudes and actions, since these micronorms violated basic human rights (hypernorms), the country as well as the companies participating in apartheid policies were considered immoral.[27]

In brief, ethical obligations are recognized where there is consent in the local community as well as consent by "all rational contractors to a theoretical macrosocial contract." While the local community of white Afrikaners saw no problem with a norm specifying racial hierarchy (apartheid) in South Africa, the world community saw that norm as "illegitimate," a violation of basic human rights and universal truths (hypernorms). Finally, following much protest from around the world, the relevant ethical obligation was made operational. After 1984 human rights were factored into business decisions of multinationals in South Africa. And in 1994, statutory apartheid was dismantled with the first election where all could vote.

The ISCT can provide a justification for the two-tier pricing system and for other policies that provide lower prices or commercial concessions for poor countries and the Global Compact can facilitate the process of developing appropriate norms. One way to understand the ten principles of the Global Compact, then, is as an expression of either norms and hypernorms (fairness, respect for other people and integrity) or principles derived from hypernorms (workplace safety and discrimination). With its emphasis on local networks, the Compact encourages regions, nations and individual firms to develop the norms appropriate to implement the nine principles as long as these norms do not violate a hypernorm. Thus, for example, the pharmaceutical industry's pricing policy for lifesaving drugs may be guided by a norm in developed countries which sanctions prices that include a significant amount that will be allocated for research costs for future products. While this norm will result in higher costs for patients, the assumption is that there is little prospect that a patient's right to health care will suffer since there are government social safety nets and other measures to assist the poor in affluent countries. (To be sure, this assumption itself needs further study and action). In developing countries with weak governments and meager background institutions to assist, this same norm for a pricing policy would be illegitimate since it would likely mean no medicines for those in need and thus a violation of rights. While it is always difficult for consumers in affluent countries to

understand how the same drug manufactured by the same pharmaceutical company can be sold much cheaper in poor countries, ISCT provides a helpful normative framework.[28]

Accountability As a Moving Target: For What Societal Expectations are Multinationals Accountable?

A recent chapter on the HIV/AIDS pandemic in sub-Saharan Africa spoke of an activist who "unleashed a verbal broadside against the pharmaceutical companies, and their refusal to provide drugs at cost or, even better, no cost at all." Another chapter spoke of pharmaceutical companies being "threatened by the National Association of People Living with AIDS if the firms continued to refuse to provide antiretroviral drugs free of charge."[29] Needless to say, the multinationals are aghast at such proposals (there are thirty million people in the area with the disease and, for the most part, those persons have never seen a doctor or been in a clinic). In the face of weak and inadequate governments, NGOs and other civil society actors are increasingly pressuring multinational corporations to accept new social responsibilities to balance their newly acquired rights and power in the global community. In my view, what is going on in the pharmaceutical industry is only a dramatic, early warning signal of a rethinking and widening of the role of all of business in society and hence it is a helpful case study to consider. The question that comes to the fore is for what societal expectations are multinationals accountable?

The companies are in a difficult position summed up by one pharmaceutical company officer: "We take accountability for our obligations seriously." What the companies want to know is how to gain a consensus in society of what these obligations are. "The Universal Declaration of Human Rights (UDHR) and chapter 12 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) are interpreted by some as embodying a right to essential medicines. Are pharmaceuticals private goods to be obtained through the market, or public goods to which all citizens have a right?"[30] Do multinational pharmaceuticals have a moral obligation to satisfy this right for the poor in developing countries?

Drawing on research on human rights, including issues raised in Henry Shue's work, the Economic and Social Council of the UN, in 2000, stated that "Health is a fundamental human right indispensable for the exercise of other human rights." It based this right on the human dignity of the person.[31] The interdependent nature of basic rights is reflected in the fact that a certain minimum standard of health is required to enjoy other fundamental rights, such as freedom and equality. The right to health implies the right of access to what it takes to provide that health—care and treatment (since the right to *health* may imply that others have the obligation to see that one never gets ill, I use the right to *health care* and *treatment* to avoid any misunderstanding). This would likely include doctors, nurses, essential medicines, and facilities. Indirectly, good health also requires provision for basic conditions such as nutritional food, safe water, sanitation, preventative medicine, and relevant education. While the document calls for "the highest attainable standard of health,"

it recognizes that economic and social factors play a role in determining what is attainable in a particular society. Thus in the poorest countries, extremely expensive medicines cannot be guaranteed by the government or multinationals although wealthy nations would have a duty to try to assist.

While there is a relatively good consensus about the right to health care and treatment, there is disagreement about how to fairly apportion these responsibilities, especially in developing countries. Where does one draw the line in assigning obligations to a multinational business? Is it the moral responsibility of the multinational to distribute society's scarce resources, to feed the poor, to provide health care? If that be the current societal expectation, should it be honored? This is a concern to some of those U.S. companies which have not joined the Global Compact. In the U.S. context where litigiousness is a fact of life, the fear of some U.S. companies is that the Compact may well be considered a contract by some stakeholders and that they may be subject to law suits.

A recent California court decision allowed an activist to sue if a company falsely colors its social image. The California Supreme Court on May 2, 2002, in *Marc Kasky vs Nike*, held that claims about safe working conditions are "commercial speech" and must be defended in court if challenged. Nike asked the U.S. Supreme Court to review the ruling and, after hearing oral arguments, the high court refused and sent the matter back to California for a final determination. In September 2003, Kasky and Nike agreed to a settlement, Kasky withdrawing his lawsuit and Nike agreeing to pay $1.5 million to the Fair Labor Association (FLA), a monitoring group that strives to improve factory conditions. While the settlement essentially means that the merits of the Kasky (and Nike) positions remain untested, the very fact that a similar suit may be brought forward in other cases may offer significant leverage to activists monitoring business theoretic and corporate actions. (For the court decision, see www.courtinfo.ca.gov/opinions (accessed 11 January 2008). While for some companies this case may reinforce their reluctance to join the Global Compact, this is being overly cautious. This is certainly the judgment of the American Bar Association which, in 2004, drafted a standard entry letter which companies joining the Compact can use to preclude subsequent litigious claims. I side with major companies like Hewlett Packard, Pfizer, Cisco Systems, Starbucks Coffee, and DuPont who have reviewed the issues and decided that signing the Compact is not only in the best interest of the company but also of the global community. Their course of action is the one that others should follow.

Scholars have argued that, although multinational companies do have a responsibility to honor human rights, they do not have an obligation to aid those deprived of lifesaving resources, i.e. to provide medicines for the sick or food for the hungry. They may want to do those things when feasible but, under normal circumstances, these activities should not be considered as a part of business. Donaldson, following Henry Shue, makes helpful distinctions in the classes of the rights honoring duties: Three classes of duties are:

1. Refraining from depriving people of the object of a right
2. Protecting (in some instances) the right from being deprived
3. Restoring to people whose rights have been violated the object of the right.[32]

Thus while a company must never take medicines from the diseased (class number 1); and it may often protect people from being diseased (class number 2); it does not have an obligation to provide medicines to the diseased (class number 3).

There is clearly a compelling logic to this position which may be summarized as follows: While multinational corporations should and do assume extraordinary social responsibilities and corporate citizenship duties in developing countries, there is a limit to business's role in society. Individuals (especially wealthy individuals) and nations can and should help provide medicines to all who need them, limited only by their capability. For-profit corporations should see their primary duty as providing good products at a fair price in the context of listening to their many stakeholders. If a pharmaceutical company, for example, depleted its revenue in the process of providing antiretroviral medicines and developing medical clinics for the poor of sub-Saharan Africa, it could not generate the money necessary for research for a cure for HIV/AIDS.[33] Consumers would ultimately pay either by much higher prices, or by no new, innovative products or cures (assuming the company survived). To assign the pharmaceutical business the *obligation* of aiding those deprived of antiretroviral medicines and care would undermine the genius of the free enterprise system.

In spite of the compelling logic of the above position, there is growing realization that with the huge aggregates of money and power under the control of multinational businesses, these organizations *do have moral obligations* as corporate citizens in the global community to assume some responsibility for providing medicines. The very title of the UN program, the Global Compact, points us to the basis of these obligations. All organizations producing goods and services have an implied contract with society. Similar to the argument for the moral and political foundations of the state advanced by Locke, Rousseau, and Hobbes, this approach argues that companies have a duty to be socially responsible and this involves honoring human rights.[34] That being said, the theory does not spell out just what responsibilities are appropriate for multinationals.

Michael A. Santoro, in discussing the duties of multinational firms in the face of human rights violations in China, offers a conceptual framework to assist in the analysis and clarification of the situation. Called a "fair share" theory of human rights, Santoro points us to four factors: "the diversity of actors: the diversity of duties; an allocation of duties among various actors; and principles for a fair allocation."[35] In any human rights problem, there are a number of possible actors, for example, international institutions, nation-states, multinational firms, NGOs, and individuals, and each should be allocated a fare share of the duties. The principles proposed for a fair allocation of duties are: relationship to those whose rights are violated; the likely effectiveness of the agent in remedying the problem; and the capacity of the agent. Santoro's point is that while companies must do something, they should not be asked to do "more" than they are capable of doing effectively."[36]

Many of our best companies have formulated a philosophy of corporate citizenship and have taken steps to institutionalize this philosophy in their corporate culture. U.S. companies involved with producing antiretroviral medications include Abbott, Bristol-Myers Squibb, and Merck. Each of these have initiated programs to deliver better health care and treatment, in some limited way, to those suffering

HIV/AIDS. I believe these companies correctly perceive that they must do these activities as a matter of moral obligation as corporate citizens and not merely as a matter of philanthropy or as a PR gesture. From my discussions with some of the companies, I believe they are employing allocation principles similar to Santoro's, largely effectiveness and capacity, and thus are trying to meet the morally required minimum.

The kind of moral leadership exemplified in Merck's Botswana Comprehensive HIV/AIDS Partnership may set a standard of how corporate citizenship can contribute to solving the pandemic. Botswana, with a population of 1.6 million people, has an HIV prevalence rate of 38.5% among those in the 15–49 age group. While having the political will to solve the health crisis, the government felt overwhelmed, not only because of the cost involved but also because they lacked the expertise. A partnership was formed with the government of Botswana, Merck and the Bill and Melinda Gates Foundation with the overall objective of improving the care and treatment of HIV/AIDS patients. Merck is donating medicines and financial assistance. Gates and Merck are each contributing $50 million over five years and the government will assist in training health care professionals to ensure that antiretrovirals are used safely and effectively. The program is led by the former CEO of the South African unit of Merck. A Harvard Business School case has been written about the partnership and this model may hold much promise for replication in other developing nations suffering from a health crisis.[37]

Some other examples of what the companies are doing may also offer models for the future. The UN/Industry Accelerating Access Initiative (AAI) is a cooperative endeavor among UNAIDS, WHO, the World Bank, UNICEF, the UN Population Fund and six pharmaceutical companies (Abbott, Boehringer Ingelheim, Bristol-Myers Squibb, GlaxoSmithKline, F. Hoffman-LaRoche, and Merck) to provide, among other things, antiretroviral medicines at more affordable prices. In addition to the AAI program, three other initiatives designed to improve access to HIV/AIDS medicines in the developing world are worthy of note:

(1) *Secure the Future* is a five-year program where Bristol-Myers Squibb is contributing $115 million and working with South Africa, Botswana, Namibia, Lesotho and Swaziland to find ways of managing HIV/AIDS among women and children;
(2) *Diflucan Partnership Program* is a program where Pfizer pays for medical training, patient education and Diflucan for AIDS patients in 70 least developed countries; and
(3) *Viramune Donation Program* involves Boehringer Ingelheim's donation to pregnant women with AIDS in developing countries of medicines to prevent mother-to-child transmission.

It is instructive to note that while these companies are striving to meet moral responsibility, only one (Pfizer) has joined the Compact. One explanation for this reluctance to join, as discussed above, is that given that there is no clear consensus on what is the moral responsibility of a multinational pharmaceutical company in

meeting the needs of the poor, joining the Compact would expose them to added criticism and perhaps even legal action from critics.

Research-based pharmaceutical companies' contributions and donations for HIV/AIDS and other diseases between 1998 and 2000 amounted to U. S $1.9 billion. To be sure, critics of the pharmaceutical industry claim that companies relax intellectual property rights (IPRs) and "lower their prices only when threatened."[38] Although the critics may have a point and further study in this area is surely warranted, the companies are, in fact, providing an answer to those societal expectations for which they believe they are capable of being held accountable.

Some companies active in sub-Saharan Africa, e.g. Coca-Cola, DeBeers, BP, and Anglo-American, have decided that they can provide antiretroviral medicines and care for their employees and their spouses with HIV/AIDS.[39] Pharmaceutical companies with antiretroviral medicines have initiated a whole series of programs to lower prices and deliver care for countries listed low or medium on the Human Development Index (HDI).[40] Again, the point of listing these company initiatives is not to foreclose criticism of the companies but rather to argue that companies with the resources can and must do something as a matter of moral obligation as good corporate citizens.

How much must they do? It is in the context of this question that companies are well advised to look to the Global Compact to help in the "recalibration going on of the public–private sector balance."[41] As said earlier, because the Compact has the visibility, global reach and the convening power that accrue to it as an instrument of the UN, it is likely to be more effective than other global credos with similar missions. Since the Compact is based on principles that were accepted by most governments of the world, it offers a vision of the global community accepted by all nations. To be sure, the UN principles are ideals which are far from realized and may not even be honored in some places, but one has to start somewhere. The unique feature is that the private sector is now being asked to be the agency which closes the gap between vision and reality, to be the standard bearer for promoting community norms, and to help shape the legitimate expectations of society. Even more than that, through the dynamic process of the Compact, new norms may be generated. Many U.S. companies have not joined the Compact because, given the litigious climate, they are apprehensive about growing societal expectations that companies routinely have the obligation of meeting basic human rights when nation-states cannot. Yet, as emphasized above, given the UN's role in the global community, it is in the forum of the Compact that this discussion can most effectively take place.

Conclusion

While it is true that, at present, the Global Compact lacks adequate accountability structures, since it is a dynamic process open to incremental changes, given intelligent and persistent criticism, there is bound to be progress in this area. The best hope

for accountability without undue transaction costs is the effort currently underway by the Global Reporting Initiative. The Compact has supported this endeavor. If the Global Compact does not succeed in developing adequate reporting procedures and meeting the legitimate concern of giving globalization a human face, some other worldwide policy forum will have to rise to the challenge. Businesses around the world would be well advised to join the Compact and help shape its future.

As to the potential obligations that trouble U.S. business, current issues in the pharmaceutical industry are a helpful case study. Most scholars argue that the right to medicines and care is a moral right but there is little consensus on how best to apportion the duties to meet this right. There is a growing consensus that with the large aggregates of money and power, multinationals have moral obligations as corporate citizens to assist the poor in the global community, but the extent of these obligations is unclear. The Global Compact offers a forum under the umbrella of the United Nations with its visibility, global reach, and convening power, where some of the best members of civil society NGOs, academic and public policy institutions, individual companies, business associations, and labor representatives—can come together to discuss the changing role of business and its moral purpose. Companies throughout the world are well advised to join the Global Compact and contribute to the shaping of these new expectations of business in society.

Notes

1. Kofi Annan, "Business and the UN: A Global Compact of Shared Values and Principles," 31 January 1999, World Economic Forum, Davos, Switzerland, Reprinted in *Vital Speeches of the Day* 65 (9) (15 February 1999): 260–61. See also Sandrine Tester and Georg Kell, *The United Nations and Business* (New York: St. Martin's Press, 2000), 51. Georg Kell is Senior Officer, Executive Office of the Secretary-General and Director of the United Nations Global Compact Office.
2. See the Global Compact website at www.unglobalcompact.org (accessed 11 January 2008) for the principles, a comprehensive discussion of the organization and Ban Ki-Moon's vision of the moral purpose of business.
3. Of the 64 U.S. companies that have joined the Compact, most are small- and medium-sized firms. Major U.S. multinationals signing include Amerade Hess, Cisco Systems, DuPont, Hewlett-Packard, Starbucks Coffee, and Pfizer. Virtually all industry sectors on every continent are represented in the over 2,000 signatories worldwide.
4. For information on the Global 500, see the special edition of *Fortune* on "The World's Largest Corporations," 148 (2) (2003): 42–45; F1-45. Georg Kell's point was made in a private discussion with the author in Pretoria, South Africa, on 24 April 2000. For a discussion of the contrast between Europe and the U.S. on the South Africa case, see S. Prakash Sethi and Oliver F. Williams, *Economic Imperatives and Ethical Values in Global Business: The South African Experience and International Codes Today* (Notre Dame, Ind.: University of Notre Dame Press, 2001), 183–219.
5. Letter to Kofi Annan, Secretary-General, United Nations, 20 July 2000, from: Upendra Baxi, Professor of Law, University of Warwick, UK, and former Vice Chancellor, University of Delhi (India): Roberto Bissio, Third World Institute (Uruguay): Thilo Bode, Executive Director, Greenpeace International (Netherlands); Walden Bello, Director, Focus on the Global South (Thailand); John Cavanach, Director, Institute for Policy Studies (U.S.); Susan George, Associate Director, Transnational Institute (Netherlands); Oliver Hoedeman, Corporate Europe Observatory (Netherlands); Joshua Karliner, Executive Director, Transnational Resources and Action Center (U.S.); Martin Khor, Director, Third World Network (Malaysia); Miloon Kothari, Coordinator International NGO

Committee on Human Rights in Trade and Investment (India); Smitu Kothari, President, International Group for Grassroots Initiatives (India); Sara Larrain, Coordinator, Chile Sustentable (Chile); Jerry Mander, Director, International Forum on Globalization (U.S.); Ward Morehouse, Director, Program on Corporations, Law and Democracy (U.S.); Atila Roque, Programme Coordinator, Brazilian Institute of Economic and Social Analysis (Brazil); Elisabeth Sterken, National Director INFACT Canada/IBFAN North America; Yash Tandon, Director, International South Group Network (Zimbabwe); Vickey Tauli-Corpuz, Coordinator, Tebtebba (Indigenous Peoples' International Centre for Policy Research and Education), and Asia Indigenous Women's Network (Philippines); Etienne Vernet, Food and Agriculture Campaigner Ecoropa (France).

6. Ibid.
7. See Alasdair MacIntyre, "A Partial Response to My Critics," in *After MacIntyre*, ed. Charles Taylor (Oxford: Oxford University Press, 1994), 284–66.
8. While I find MacIntyre insightful and provocative, in the final analysis, I side with Andrew Wicks "I find enough coherence, hope, and possibility in both capitalism and 'modernity' to cast my lot with those who see the Enlightenment (and what followed) as something other than a disaster." See Andrew C. Wicks, "On MacIntyre, Modernity and the Virtues: A Response to Dobson." *Business Ethics Quarterly* 7 (4) (1997): 133–35.
9. See Patricia H. Werhane, "Business Ethics and the Origins of Contemporary Capitalism: Economics and Ethics in the work of Adam Smith and Herbert Spencer," *Journal of Business Ethics* 24 (2000): 185–98; also Oliver F. Williams, "Catholic Social Teacher: A Communitarian Democratic Capitalism for the New World Order," *Journal of Business Ethics* 12 (1993): 919–932. The 1991 encyclical letter of Pope John Paul II, *Centesimus Annus*, makes this central point: "The life is absolutized, if the production and consumption of goods become the center of social life and society's only value, not subject to any other value, the reason is to be found not so much in the economic system itself as in the fact that the entire socio-cultural system, by ignoring the ethical and religious dimension, has been weakened, and ends by limiting itself to the production of goods and services alone." John Paul II, *Centesimus Annus* (Washington, D.C.: The U. S Catholic Conference, 1991), para. 39, p. 77.
10. A good overview of the issues addressed by the Global Compact was presented at the Keynote Address to the Society of Business Ethics and the Social Issues in Management Division of the Academy of Management meeting in Chicago, 7 August 1999. See Douglas Cassel, "Human Rights and Business Responsibilities in the Global Marketplace." *Business Ethics Quarterly* 11 (2) (2001): 261–74.
11. Tester and Kell, *The United Nations and Business*, p. 51. The case for globalization and capitalism is made in the UN's 2002 edition of the *Human Development Report* but not without many caveats. For example: "The proportion of the world's people living in extreme poverty fell from 29% in 1990 to 23% in 1999," and "During the 1990s the number of people living in extreme poverty in sub-Saharan Africa rose from 242 million to 300 million." See the report: http://hdr.undp.org/en/media/hdr_2002_presskit.pdf (accessed 11 January 2008).
12. Participants in the Caux Principles have been from 27 countries and include such U.S. companies as 3M International, Chevron, Time Inc., The Prudential Insurance Company of America, The Procter and Gamble Co., The Chase Manhattan Bank, Medtronic Inc., Monsanto Company, Honeywell Inc., Cargill Inc., and the Bank of America. See the website www.cauxroundtable.org (accessed 11 January 2008).

    Accountability as discussed here is even less a requirement in the Caux Principles and this endeavor has much less visibility. For the text of the Caux Principles see *Global Codes of Conduct*, ed. Oliver F. Williams (Notre Dame, Ind.: University of Notre Dame Press, 2000), 384–88. For two articles on the Caux Principles, see Gerald F. Cavanagh, "Executives' Code of Business Conduct: Prospects for the Caux Principles," *Global Codes of Conduct*, pp. 169–82; and Kenneth E. Goodpaster, "The Caux Round Table Principles: Corporate Moral Reflection in a Global Business Environment," *Global Codes of Conduct*, 183–95.
13. For a comprehensive history and analysis of the Sullivan Principles, see S. Prakash Sethi and Oliver F. Williams, *Economic Imperatives and Ethical Values in Global Business*.
14. For an example of this countervailing power of NGOs, see the letter by Louise Fréchette, Deputy Secretary-General of the UN, of 3 June 2003, responding to the officers of Oxfam, Amnesty

International, Lawyers Committee for Human Rights, and Human Rights Watch, who are pressuring for more accountability in the Compact. See the web site www.globalpolicy.org/ngos/business/2003/0626secret.htm (accessed 11 January 2008).
For a recent, similar criticism, see "Global Compact Leaders Summit: NGO Participants Raise Concerns," 24 June 2004, http://web.amnesty.org/pages/ ec-letter-240604-eng. (accessed 25 May 2008)

15. S. Prakash Sethi and Oliver F Williams, "Creating and Implementing Global Codes of Conduct: An Assessment of the Sullivan Principles as a Role Model for Developing International Codes of Conduct–Lessons Learned and Unlearned." *Business and Society Review* 105 (2) (2000): 187.
16. S. Prakash Sethi, "Global Compact is Another Exercise in Futility," *The Financial Express*, 8 September 2003. Available on the web at: www.financialexpress.com/fe-full-story.php?contentid=41523. For a comprehensive discussion of codes of conduct, see S. Prakash Sethi, *Setting Global Standards: Guidelines for Creating Codes of Conduct in Multinational Corporations* (New York: John Wiley & Sons, Inc., 2003).
17. Tester and Kell, *The United Nations and Business*, 53.
18. Lynn Sharp Paine, *Value Shift: Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance* (New York: McGraw-Hill, 2003), 20–23.
19. An instance of where Nike is being cited as an example of adverse selection is in the letter to Kofi Annan, Secretary-General, UN, 25 July 2000, from the same signatories as listed in note 5 above. For an NGO critical of the Compact, see the web site www.corpwatch.org (accessed 11 January 2008). The quotation from Auret van Heerden is found in Lisa Giron, "Nike Settles Lawsuit Over Labor Claims," *Los Angeles Times*, 13 September 2003.
20. Nicholas Stein, "America's Most Admired Companies," *Fortune* (3 March 2003): 81–94.
21. This point has been made repeatedly by Georg Kell in conversations with the author. For example, in light of complaints one current issue Compact officials are discussing is what business behaviors necessitate asking a company to sever its relationship with the Compact.
22. Sandra Waddock, "Creating the Tipping Point Towards Corporate Responsibility: Reflections of Meeting Expectations in the Global Economy." The UN Global Compact Conference at the University of Notre Dame, 21–23 April 2002. Unpublished paper available on the website of the Notre Dame Center for Ethics and Religious Values in Business www.nd.edu/ethics (accessed 11 January 2008).
23. Robert Kinlock Massie, "Effective Codes of Conduct: Lessons from the Sullivan and CERES Principles," in *Global Codes of Conduct*, 287–88. See the website of the Global Reporting Initiative www.globalreporting.org (accessed 11 January 2008).
For an example of the present state of the art of sustainability reporting, see the report of the Royal Dutch Shell Group www.shell.com (accessed 11 January 2008).
24. For an analysis, see Mallen Baker, "The Global Reporting Initiative: Raising the Bar Too High?" *Ethical Corporation Magazine* (October 2002): 39–41.
25. See, for example, Manuel Velasquez, "International Business, Morality and the Common Good," *Business Ethics Quarterly* 2 (1992): 27–40; Norman Bowie, "A Kantian Theory of Capitalism," *Business Ethics Quarterly*, Special Issue No. 1, (1998): 37–60; and Richard De George, *Competing with Integrity in International Business* (New York: Oxford University Press, 1993).
26. Thomas Donaldson and Thomas W. Dunfee, "Toward a Unified Conception of Business Ethics: Integrative Social Contracts Theory," *Academy of Management Review* 19 (2) (1994): 260. See also Thomas Donaldson and Thomas W. Dunfee, *Ties That Bind: A Social Contracts Approach To Business Ethics* (Boston: Harvard Business School Press, 1999).
27. See Sethi and Williams, *Economic Imperatives and Ethical Values in Global Business*, for the history of the evolution of the conviction that participating in apartheid was immoral.
28. Pharmaceutical companies were reluctant to approve the two-tiered pricing system because of the fear of "round-tripping," fraudulently selling a deeply discounted drug meant for the poor in a developing country in an affluent country at the higher price. This would seriously erode the profit margin required for research for future drugs. After considering the options, most companies have moved to two-tier pricing although it has not been without problems. See Gregory Crouch, "Europeans Investigate Resale of AIDS Drugs," *The New York Times*, 29 October 2002, W1; and "Africa's Cheap AIDS Drugs Threatened by Illegal Exports," *Business Day*, 12 May 2003, 10.

29. Stephen Lewis, "Silence = Death: AIDS, Africa and Pharmaceuticals," *Toronto Globe and Mail*, 26 January 2001, 12; and "Threatened," *Johannesburg Sunday Times*, 2 April 2003, 2.
30. In order to discuss the Compact with major U.S. multinationals and to increase U.S. membership, the United Nations Global Compact Office and the Center for Ethics and Religious Values in Business at the University of Notre Dame sponsored a conference at Notre Dame in April 2002. Several corporations that are already members of the Compact (Nike, Novartis, and Shell) and some considering joining (Freeport–McMoRan Copper and Gold, Hewlett–Packard, Merck, and Motorola) gave presentations. The statement summarizes the sense of some of the pharmaceutical company presentations at the Notre Dame–UN conference in April 2002.
31. "General Comment No. 14 on Substantive Issues Arising from the Implementation of the International Covenant of Economic, Social and Cultural Rights (ICESCR)," United Nations Economic and Social Council, 2000. Geneva. See www.unhchr.ch (accessed 4 June 2008)
    See Henry Shue, *Basic Rights* (Princeton, N.J.: Princeton University Press, 1981). There is currently a UN draft "Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights, E/CN. 4/Sub. 2/2003/12 (2003)," but most believe this proposed policy needs considerable field testing before some consensus on how to apportion responsibility emerges.
32. These ideas are developed in Thomas Donaldson, *The Ethics of International Business* (New York: Oxford University Press, 1989), especially Chapter 5. For a good application see Thomas Donaldson, "The Perils of Multinationals' Largess," *Business Ethics Quarterly* 4 (3) (1994): 367–71. This chapter is a response to a critique of Donaldson in Kevin T. Jackson, "Global Distributive Justice and the Corporate Duty to Aid," *Journal of Business Ethics* 12 (1993): 547–51.
33. A study released in December 2001 by the Tufts Center for the Study of Drug Development reported that the average cost of developing a new drug is $802 million and takes, on average, 12. These figures are disputed by the Health Research Group, a consumer organization founded by Ralph Nader. See Robert Pear, "Research Cost For New Drugs Said to Soar," *The New York Times*, 1 December 2001, 1.
34. See note 25.
35. Michael A. Santoro, "Engagement with Integrity: What We Should Expect Multinational Firms to Do About Human Rights in China," *Business and the Contemporary World* 10 (1) (1998): 25–54.
36. Ibid., p. 48.
37. James E. Austin, Diana Barrey, and James B. Weber, "Merck Global Health Initiatives (B): Botswana," Number 9-301-089 (Boston: Harvard Business School Publishing, 2001). Also, the website for the African Comprehensive HIV/AIDS Partnerships (ACHAP) (www.achap.org accessed 11 January 2008) has a description of the project.
38. See Donald G. McNeil, Jr., "Patents or Poverty? New Debate Over Lack of AIDS Care in Africa," *The New York Times*, 5 November 2001, 6.
39. The Global Business Coalition on HIV/AIDS headed by Richard Holbrooke, former U.S. Ambassador to the UN, has enlisted many multinationals in the fight against AIDS. Some companies have gone well beyond the normal role of business in society. See the website www.businessfightsaids.org (accessed 11 January 2008).
40. For example, GlaxoSmithKline cut the price of its AIDS and malaria treatments by 38 percent in the 63 poorest countries. "Glaxo Cuts Price of AIDS and Malaria Drugs," *Business Day*, 12 May 2003, 1.
41. John Gerard Ruggie, "Taking Embedded Liberalism Global: The Corporate Connection," unpublished paper, p. 29.

Corporate Citizenship: The Dark-Side Paradoxes of Success

Sandra Waddock

Strategy Creating Tensions of Opposites

Understanding corporate citizenship is a difficult proposition at best,[1] made more so because understanding and performance can differ depending on circumstances and context. In many parts of the world, normal business operations, strategies, and conduct are increasingly being challenged by protests against globalization and global companies. Companies' performance on human rights, labor standards and working conditions, corruption, exploitation of natural resources, marketing practices, and local community impacts, among others, increasingly call into question corporate integrity and stakeholder and ecological responsibility. In many ways, it is the successful companies whose practices most frequently fall under the critical scrutiny of outside watchdogs, non-governmental organizations, and activists, while less successful or less visible (particularly nonbranded) companies seem to proceed largely under the radar screen.

In this context, simple efforts to deflect criticism by, for example, donating to charities or engaging in volunteerism (the typical US corporation's historical response to the need to establish its corporate citizenship) fail to establish companies as good social actors or provide credibility to their efforts to establish themselves as corporate citizens. In part, the questions arise because of the very strategies and operating practices that have resulted in financial, economic, and market success. Something more than charitable contributions and image-building initiatives are needed when a company's corporate citizenship depends not just on external perceptions of its explicit social contributions but on its business model and practices.

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No one could doubt the strategic and financial success of companies like Wal-Mart, Starbucks, Microsoft, Home Depot, and CVS. Each of these and numerous other large, high-growth, high-flying companies has succeeded with strategies that have allowed them to achieve enormous scale economies and significant clout with respect to their suppliers and employees, domination over competitors, and customer loyalty. Yet there is a dark side to their successes, a dark side that results from the very seeds of that success. That dark side involves the impacts that extremely successful companies like these have on the societies and communities in which they are embedded and the amount of power that they wield over their stakeholders in the very process of achieving success.

In a slightly bigger context, something is dreadfully wrong with the system when successful corporate strategies result in social ills just by virtue of their success. The better some companies perform, the more discouraged and concerned some people are about the quality of life, about the sustainability of the planet, and about the set of values that are driving societies. Yet, that seems to be the reality of the economic model and corporate incentives that dominate today's world. Although obviously not applicable in every situation, it is relatively easy to identify situations in which the very success of a company's corporate strategy results in negative social and ecological consequences. Add in the amassing of significant power, wealth, and control of resources by interests focused narrowly and solely on economic gains for the few. Throw in a materialistic orientation in which entire cultures are bent to the will of those who focus predominantly on the consumption of more and more material "goods," oh, yes, at the lowest possible price, with the lowest possible wage scales, and the most efficient use of company assets. And all of this takes place in a world where the multinational corporations that exhibit these characteristics, in many instances, control more resources than do whole nations and where their reach extends to many corners of the planet. Notably, it is in this context of global economic might that both the reality and the rhetoric of corporate citizenship have arisen.

Many business leaders argue that good corporate citizenship is about businesses meeting their "social" responsibilities and being proactive or interactive about engaging with society's numerous stakeholders and social needs. Of course, it is important to be proactive with respect to such issues, rather than simply waiting until there are accusations, issues, or problems to deal with, then reacting to cope with those problems. These leaders suggest, as many companies do on their websites, that there is deep recognition within the company that corporate responsibility matters—and that every effort is being made so that the company does not just appear to be but actually is responsible, as the following examples indicate:

Novartis

At Novartis, corporate citizenship—or corporate social responsibility—is a top priority. As a corporation, Novartis wants to act the same way as responsible

and conscientious individuals would act in their community. We do everything we can to operate in a manner that is sustainable—economically, socially, and environmentally—in the best interest of long-term success for our enterprise (http://www.corporatecitizenship.novartis.com/downloads/novartis_gri_report_ 2006 .pdf, accessed 2 June 2008).

Cisco Systems

Cisco strives to be a good citizen worldwide. Our culture drives us to set high standards for corporate integrity and to give back by using our resources for a positive global impact. We pursue a strong "triple bottom line" which we describe as *profits, people and presence*. Profits are one traditional and valuable metric which helps measure our financial performance. People are equally important. Strong, mutually beneficial relationships with partners, customers, shareholders and the people who work for, with, and near us are essential to our business. The third bottom line—presence—measures our standing in, respect for, and contribution to global and local communities. We believe companies with strong triple bottom lines are the most sustainable, responsible and successful. We hope the information in the pages of this website demonstrates our commitment to a strong triple bottom line (http://www.cisco.com/en/US/about/ac227/about_cisco_corporate_citizenship _home. html, 10/1/04) redirected to: http://www.cisco.com/web/about/citizenship/ index.html (accessed 6 June 2008).

A list of similar corporate citizenship (corporate responsibility, corporate social responsibility) statements could go on for quite some time. Emphasis on corporate citizenship (and its synonyms) has grown exponentially since the mid-1990s when the term first began gaining popularity. The intriguing question behind this explosion of corporate interest in responsibility was posed by a participant in a recent conference at Wingspread: "Corporate citizenship is the symptom, but what is the problem?" Just what is all of the corporate attention to corporate citizenship designed to accomplish? Is it possible that corporate critics are correct in their assertions that corporate citizenship is merely a smokescreen designed to divert attention from the real impacts and even harms inflicted on society and nature by corporate activities? Or do corporate citizenship initiatives in their various guises represent real efforts for companies to meet their social obligations and real recognition of their embeddedness in (and subservience to) the interests of society and the planet?

This chapter explores what we can call the paradox of corporate citizenship as posed above. That is, it explores the paradoxical dark underbelly created by strategic success in corporations and their efforts to implement voluntary corporate social responsibility (CSR) initiatives to demonstrate their good corporate citizenship. In this exploration, we will look at the tensions of corporate citizenship and responsibility that are created not when there are crises, scandals, or misdeeds, but when the very success of the company's strategy is itself the source of concern.

Paradox: The Dark Side of Corporate Citizenship

Viewed from the perspective of paradox, corporate citizenship highlights not only the light—or doing real social good—side of corporate involvement in society but also potentially reveals a hidden dark side. In some respects, corporate citizenship efforts can represent, at least to critics, part of an overall effort to disguise or at least mitigate the dark side of corporate strategies and their successes that arise directly from the power and resource commanded by many, particularly large, transnational, companies today. Here is the tension: we have created a system in which success means continual growth and expansion, a focus on efficiency within the company (and externalizing costs wherever possible to society), and control over resources, markets, customer preferences and choices, and employees (to name a few factors).

This system has resulted in huge multinational companies (MNCs), many of which are larger than the entire national economy of small countries. At the same time, there is little or no effective system of global or local governance over MNCs that can ensure that they are subordinated to the interests of the societies that they are intended to serve. The best that can be said is that a voluntary responsibility assurance system is at the very early stages of emerging and that a few countries have promulgated new laws requiring various types of disclosure (Waddock, in press). For the most part, however, financial analysts, investors, and corporate leaders applaud voluntary approaches to corporate citizenship and seek to avoid more regulation of their activities.

Critics, of course, have long noted the problems associated with corporate dominance over societal interests. Business leaders have responded—largely through their corporate citizenship initiatives. It is in these initiatives that the paradox arises. Think for a minute of the contrast inherent in the good works that many companies undertake for their communities, combined with the negative community impacts of so-called big box superstores on local communities. The favorite whipping boy in this regard, of course, is Wal-Mart, whose hugely successful strategy of efficiency aimed at "low prices—always" attracts customers searching for those low prices, but simultaneously devastates local downtown shopping districts, pays low wages to contingency (part-time) workers, and creates incentives for more people to get into their cars and drive to shop. The result is what some observers and critics term "sprawl-mart," or greater suburban sprawl (Multinational Monitor, 2004), outraged communities, over a million relatively low-paid workers, many of whom are "contingency" or part-time workers, huge discrimination lawsuits, and tremendous pressures on suppliers for efficiencies that drive sometimes already-poor human rights and labor practices even lower. Customers, of course, are happy with the low prices and War-Mart's move to become one of the world's most sustainable companies, after its dramatic success in helping victims of Hurricane Katrina in 2005, is certainly notable. We will explore Wal-Mart's situation in more detail later in the chapter.

As with similarly successful companies in other industries (e.g. Starbucks, Home Depot, CVS, Microsoft), it is Wal-Mart's very success that has created the considerable downside unintended consequences for community, employees, workers in supply chain companies, the natural environment, and even whole societies that fear

the homogenization that a Wal-Mart brings. Companies like Wal-Mart command enormous resources, great market clout, the capacity to pressure suppliers, and the political savvy to overcome many obstacles to strategic success. Effectively, they make choices for consumers about what they will be able to buy and even, in some cases, screen products that are not to their liking. But is a world dominated by the likes of Wal-Mart—or any economic engine like it—really the world we want to live in and leave behind for our children? That is the fundamental question that faces us today.

In a world dominated by economic interests, corporate power combines with the decidedly short-term thinking that seems characteristic of today's financial markets and is inherently part of what Frederick (1995) termed economizing. The attendant power aggrandizing (Frederick, 1995) means that not only so successful companies tend to become enormously large, but they also command significant market power and resources to use for their own purposes, rather for than the good of all. Add in the seemingly endless series of scandals that show that self-regulatory and self-governance efforts do not always work, and you arrive at the paradox of corporate citizenship.

The Dark Sides of Corporate Citizenship

There are several fundamental issues embedded in the paradox of corporate citizenship raised by disconnects between intent and practice: (1) the short-term orientation on which both companies and financial markets operate and the long-term societal issues that short-term thinking creates; (2) an overly narrow focus on corporate citizenship as explicitly doing good, while ignoring other effects of company behavior; (3) the gap between the rhetoric and reality of many companies' corporate citizenship; and (4) the reality that most corporate citizenship agendas, even when quite broadly stated, fail to deal with the significant risks, impacts, and practices of companies that result from their business models.

Taken together, these issues represent the dark underbelly of corporate citizenship —and provide plenty of fodder for corporate critics and critics of the corporate responsibility movement (Derber, 2004; Crook, 2005; Vogel, 2006; Reich, 2007). In what follows, I will explore these dark side elements, while recognizing that for many companies (or what I have elsewhere termed leading corporate citizens) their corporate citizenship initiatives are real, profound, and honorable. For at least a fraction of companies, however, dark side implications need to be surfaced, lest we be saddled with an overly optimistic view of the possibilities of corporate citizenship.

Short-Term Orientation

Corporations and the financial markets that they serve are notoriously short-sighted. On the one hand, short-term thinking forces companies to be efficient, using their

resources wisely, producing positive results for shareholders, products and services for customers, and jobs for employees. On the other hand, sometimes short-term thinking leads directly and indirectly to very "dark side" effects, including the ebb and flow of layoffs, lack of investments in "human resources" (i.e. people), the constant forming and reforming of companies that are involved in the waves of mergers, acquisitions, and restructurings, all of which have wrought havoc on employee loyalty in recent years. Over years of corporate and political rhetoric about free markets, efficiency, and the need for profits to sustain our material bents, we have come to accept these dark side effects—and even sometimes fail to recognize their negative impacts on people as individuals and communities as important parts of society.

Short-term thinking places significant demands on companies to always have to make a business case, i.e. the case for profitable outcomes, for undertaking much of any long-range activity, including investment in people, products, research and development, market research about real social needs. While it is clear from recent meta-studies (e.g. Orlitzky et al., 2003; Margolis & Walsh, 2003); that there are no necessary trade-offs between responsibility and good financial performance, it is also clear from a short-term perspective that irresponsibility can also produce good results at times. The performance of tobacco companies (selling products that in their normal use kill people) makes this reality clear. The clear imperative embedded in US law is an emphasis on profitability through whatever means are feasible, with little regard for consequences typically labeled as externalities.

Indeed, even a reasonable business case for corporate citizenship in the broader (beyond simply "doing good" through charity and encompassing operational practices [Waddock, 2009, in press]) sense can be insufficient grounds for constructive action on the part of companies. Most business leaders are fully bought into the notion of maximizing shareholder wealth at all costs and focusing on this quarter's earnings, because the financial markets expect returns. Further, some things are valuable of their own accord, whether or not they are profitable . . . as recent emphasis on human rights, codes of conduct, and ecological sustainability (among other factors) suggests (though more prominent in Europe than the US, according to Rifkin [2004]). These things relate to human values that go well beyond materiality to tap into something else in human nature that aspires to connection, love, and even transcendence (Giacalone, 2004).

Still, short-term thinking infects decisions on just about everything that companies touch, particularly in the US, though increasingly elsewhere as well. It played no small role in the numerous scandals that hit the US and Europe during the early 2000s, as company leaders attempted to "improve" their near-term results to satisfy intense demands from financial markets . . . or to line their own pockets without regard for the company, employee, customer, investor, or societal consequences. Further, it is entirely possible that companies look (and are) strategically and financially successful in the short term, while their managers are doing unethical, or at least highly problematic, things to attain those results and that can backfire, sending the company into ruin (e.g., Enron, WorldCom). The paradoxes inherent in this tension combine with corporate leaders' apparent desire to govern themselves in this difficult context.

The spillover effects of short-term thinking have been obvious, and include the emergence of a social context and broken social contract in which loyalty to or from companies is unfashionable at best, whether it is from the investor or employee side. Yet we know from studies like Collins and Porras's *Built to Last* and Collins' *Good to Great* that truly great (responsible?) companies engender loyalty from their investors and their employees (not to mention their customers), in part because they are thinking beyond the next quarter.

An Overly Narrow Focus for Corporate Citizenship

An aspect of the short-term orientation is the suspicion by corporate critics that some (many) corporate citizenship initiatives are simply efforts to downplay some of the realities of today's corporate practices and short-termism through image manipulation. In this view, corporate citizenship activities attempt to create the appearance of (and some actual) investment in the social good, while allowing companies to avoid the real responsibilities for the impacts that their short-term-oriented practices have on employees, customers, even investors, and the natural environment.

Combine short-term thinking with a mindless growth-at-all-costs mentality emphasizing free trade and market building that rides roughshod over local and regional interests (Cavanagh et al., 2002). Add in the increased recognition of the importance of reputation to branded companies . . . and it is perhaps no wonder that corporate citizenship (responsibility) rhetoric and practice have emerged as key phenomena of the modern corporate landscape. By this reading, corporate citizenship efforts, particularly the dominant ones aimed at doing explicit social good though charitable contributions of either money or in-kind services and goods, are efforts to put a good public face on the company, while it continues business as usual. When business as usual involves practices like outsourcing from sweatshops, paving over vast tracts of land for parking lots, creating even more incentives for people to drive to shop, fostering consumption of scarce or nonrenewable resources, harming the ecological environment, or producing either useless, unnecessary, and even harmful products (and so on), however, critics, environmentalists, and community activists become outraged.

Numerous companies today highlight their voluntary (good) corporate citizenship and social responsibility in public forums like their websites, in triple bottom line reports, and through their public statements. Studies seem to confirm that there is a neutral to possibly slightly positive correlation between corporate responsibility and financial performance (e.g., Margolis & Walsh, 2003; Orlitzky & Benjamin, 2003). The notion is that companies can "do well by doing good," following what Waddock and Graves (1997a, b) called the "good management hypothesis," i.e. that being responsible is simply good management.

Yet, the reality of corporate citizenship is rather more nuanced—and considerably more problematic. Sometimes, as noted above, the very strategic and financial success of firms results in negative consequences for society—or at least the consequences are negative in the eyes of critics. So, in response, many companies

have developed corporate citizenship, corporate social responsibility, and corporate giving programs. It is in the focus of these corporate citizenship initiatives that part of the paradox lies. Despite the broad expressions of corporate citizenship articulated by Cisco and Novartis, which emphasize a holistic conception of the company's relationships with its stakeholders, nature, and society, more typical expressions of corporate citizenship (particularly in US companies) are considerably more narrow, encompassing community relations and philanthropy, but not going much further. MasterCard's statement below is typical of this focus:

> MasterCard's corporate citizenship efforts focus on supporting organizations that focus on youth, with a particular emphasis on programs that address educational needs; help youth access technology; and international initiatives that benefit youth.

Arguably, voluntary corporate citizenship initiatives such as these provide a hoped-for way for companies to show their good-heartedness to their many stakeholders, beyond investors. Corporate citizenship, from this perspective, represents the efforts of business leaders to voluntarily and openly "do good" in society in the hope of building trust and a good reputation among customers, employees, and investors, as well as activists, communities, and government. At the same time, skeptics and critics view corporate citizenship initiatives as mere window dressing, intended to draw attention away from the other, sometimes negative, consequences of large powerful corporations in society. That disconnect brings us to the third paradox of corporate citizenship: the rhetoric/reality gap.

The Rhetoric/Reality Gap

In the context described above, it is perhaps unsurprising that critics question how much corporate citizenship rhetoric is for real (e.g. Derber, 2002, 2004). Companies' leaders who have good intentions can feel caught in a conundrum of trying to look good to investors and employees in a social context where demands that they act as "good citizens" have dramatically escalated in recent years, but where short-term financial performance pressures seem bottomless and where the business imperative is to be efficient by externalizing costs whenever possible. More sophisticated customers, socially-oriented investors, and activists have developed the skills to publicize perceived problems broadly and damage hard-won reputations. Fueled by global connectivity, growing awareness of pressure tactics like shareholder resolutions, and, in some instances, laws that are increasingly focused on various forms of disclosure and transparency in different parts of the world, companies are being pressured to act responsibly.

There may be some justification to the views of critics who claim that corporate citizenship largely represents an effort to cover up the dark side of capitalism, at least in some cases. This perspective seems reasonable if we compare the actual behaviors and impacts of certain (but certainly not all) companies with their stated corporate citizenship objectives. For example, consider the following statements about corporate citizenship from company websites:

> We believe that good corporate citizenship means helping to meet the world's growing demand for energy in an economically, environmentally and socially responsible manner. (ExxonMobil: http://www.exxonmobil.com/corporate/Citizenship/Corp_citizenship_home.asp, 1/5/04), see also: http://www.exxonmobil.com/Corporate/community_ccr_overview.aspx (accessed 5 June 2008).
> Our business is built on relationships—with our customers, partners, investors, employees, and with the communities where we live and work. We are committed to keeping those relationships strong by communicating openly about our business practices, being transparent about our performance, and remaining accountable for our conduct. We know that our decisions have significant ramifications for other companies and for people and communities worldwide. We take that responsibility very seriously. (Microsoft: http://www.microsoft.com/mscorp/citizenship/, 1/5/05), see also: http://www.corporateregister.com/ a10723/micro03-cit-usa.pdf, (accessed 2 June 2008).
> Citizenship defines our role in local and global communities and how we strive to conduct business responsibly in a changing world. Being a good corporate citizen includes listening to, understanding, and responding to our stakeholders about their needs regarding [our] policies and operations. Stakeholders are people or groups who affect, or are affected by, [our] business activities. Our relationship with them is at the heart of our citizenship because they define what it means for [us] to create value. They are the ones who will determine when [the company] fulfills its mission to become the world's most valued company to stakeholders. (Pfizer: http://www.pfizer.com/subsites/corporate_citizenship/what_is_cc.html, 1/5/05), see also: http://www.pfizer.com/responsibility/values commitments/corporate responsibility report.jsp (accessed 5 June 2008).

These sentiments are brought to you by: (1) the company responsible for the Exxon Valdez oil spill in Alaska for which reparations are still not fully made, which has refused to admit the reality of concerns about global warming and is one of the world's largest producers of oil and gas, (2) the company accused of strong-arming its allies and suppliers to ensure its relative monopoly status, and (3) the company whose popular pain killer Celebrex is said to cause heart attacks but which refused in 2004 to take it off the market (notably, unlike Merck, which withdrew its similar drug Vioxx for that reason). Behavior and the rhetoric about values do not seem in these and many other instances well matched to the values that can be observed by watching the actual practices of companies. More insidious even than the rhetoric/reality gap, however, is the lack of recognition of negative social impacts that derive from successful business models, the final and perhaps more important paradox to be discussed.

Impacts from the Business Model

Interesting examples of highly successful companies can be found—companies that have achieved wealth and competitive success beyond their founders' wildest dreams but whose corporate citizenship is strongly questioned by at least some critics. Some of these very companies are now being accused of being bad social actors, in part because of the very successes they have experienced and, of course, because of the power they have accumulated as a result of that success. The tensions inherent in this situation are epitomized by *Fortune* magazine's 2004 awarding of the designation of "most admired" (and largest retail) corporation to Wal-Mart. In the

very same issue, the magazine carried a thoughtful chapter by Jerry Useem entitled "Should We Admire Wal-Mart?" that lays out the tension starkly:

> There is an evil company in Arkansas, some say. It's a discount store—a very, very big discount store—and it will do just about anything to get bigger. You've seen the headlines. Illegal immigrants mopping its floors. Workers locked inside overnight. A big gender discrimination suit. Wages low enough to make *other* companies' workers go on strike. And we know what it does to weaker suppliers and competitors. Crushing the dream of the independent proprietor—an ideal as American as Thomas Jefferson—it is the enemy of all that's good and right in our nation.
> There is another big discount store in Arkansas, yet this one couldn't be more different from the first. Founded by a folksy entrepreneur whose notions of thrift, industry, and the square deal were pure Ben Franklin, this company is not a tyrant but a servant. Passing along the gains of its brilliant distribution system to consumers, its farsighted managers have done nothing less than democratize the American dream. Its low prices are spurring productivity and helping win the fight against inflation. It is America's most admired company.
> Weirdest part is, both these companies are named Wal-Mart Stores, Inc. (Useem, 2004, p. 118)

Ironically, as the paragraphs above make clear, it is the very success of Wal-Mart's business strategy that has resulted in significant questions about its corporate citizenship, where that term is defined to mean the impacts that the company's strategies and operating practices have on stakeholders and the natural environment (Waddock, 2002). And it is questions like the ones raised by Useem about Wal-Mart that are actually at the heart of many current debates about corporate citizenship.

Many companies are caught in a conundrum similar to the one that faces Wal-Mart. On the one hand, they are trying to be effective global competitors strategically by using efficiency-oriented (economizing) [Frederick, 1995]) strategies, combined with a continual growth orientation to satisfy investors' needs for profit "maximization" (see, for example, Rowell, 2003; Strategic Direction, 2004). They are under significant pressure from their investors and the financial community to continually enhance performance and growth opportunities. Companies viewed as successful constantly grow their revenue and sales bases, selling more products and services to ever wider and more dispersed markets. To achieve success in highly competitive markets, many companies develop operating practices that externalize hidden or even unrecognized costs to society, while creating terrific shareholder returns.

Such companies may be using strategies that disregard the consequences of their goods and services on local communities, whole societies, and nature in their quest to gain more market, financial, and customer-based power, creating problems for other stakeholders (Bianco et al., 2003). Let us explore the corporate citizenship impacts of one dominant company—perhaps the most visible icon of this societal problem: Wal-Mart. Here, we note, we define corporate citizenship not merely as the discretionary activities to do social good (e.g. Carroll, 1979, 1998), but as the impacts of the company's operating practices on its stakeholders and nature (Waddock, 2002).

Wal-Mart is one of the world's largest companies in 2002, it represented 2.5% of US GDP (Hoch, 2004). Known for its efficiency, the company has also been

subjected to many questions about its corporate citizenship. A listing of the titles of some recent critical articles about Wal-Mart illustrates the range of some of the concerns related to the company's successful strategy (see Exhibit 1). For example, the company pays relatively low wages to a largely contingent workforce (Malch, 2004), and has been known to use harsh management tactics to achieve its efficiency goals (Saporito et al., 2003). Those wages can discourage other employers from paying living wages locally, and thereby create what one observer called "the Wal-Martization" of the economy, causing employees in *other* companies to protest the incursion of a Wal-Mart into their territory (Tsao, 2002; Holmes & Zellner, 2004). The employment of part-time workers at marginal wages creates situations where employees need to use food stamps and other tax-based resources simply to live.

Wal-Mart's strategy also impacts the natural environment, which deteriorates not only from huge paved-over tracts of land (some of which are abandoned when the company consolidates into larger facilities) but also forces customers to drive long distances to do basic shopping that used to be done in local downtowns, and urban sprawl is worsened (Sanson, 2004; Multinational Monitor, 2004). Local culture and character are homogenized into one faceless "low-prices-always" mentality, while local stores, particularly in neighboring communities to the Wal-Mart facility suffer or simply go out of business (Stringer, 2004; Multinational Monitor, 2004; Davidson & Rummel, 2000; Pearson & McGee, 2000). Of course, as noted earlier, Wal-Mart's CEO Lee Scott, recognizing the company's positive impacts during the aftermath of Hurricane Katrina in New Orleans, has committed the company to long-term sustainability in its product lines and operations. Because Wal-Mart is well-known for driving its policies through its supply chain, it is also likely that its tens of thousands of suppliers will also be affected by new practices associated with sustainability over time. Consumers, of course, benefit, at least in the short-term while they still have jobs and money to spend, before their jobs are outsourced by suppliers, who must become as efficient as Wal-Mart simply to do business with the giant retailer (e.g., Fishman, 2003). And all of these impacts hardly take into account Wal-Mart's status as the "world"s biggest target," its determined antiunion stance and the huge discrimination lawsuit filed against it on behalf of 1.6 *million* women (Daniels, 2004; Bergdahl, 2004), or the constant criticisms of its supply chain and employee practices (Saporito et al., 2003).

Wal-Mart is not alone in evidencing negative corporate citizenship effects that directly result from their successful strategies. Nor is it alone in being subjected to the negative reputational impacts as critics have become more vocal and the negative by-products of company strategies more evident. At least one observer, in fact, claims that the reputational problems for Wal-Mart represent a serious "mid-life crisis" for the company (Malch, 2004). Other powerful companies, e.g. Home Depot, Starbucks, Microsoft, Staples, Borders, and Barnes and Noble, to name only a few, have developed similarly successful retail strategies that have resulted in stunning competitive success—at significant costs to other stakeholders (at least so critics claim), especially smaller competitors, local communities, and the environment. Nike's successful efforts to become a design and marketing company, leaving the

manufacture of its footwear to suppliers working on a cost-competitive basis in developing nations resulted in all kinds of accusations of human and labor rights abuses in its supply chain. Think, for example, about the criticisms that Starbucks, now seemingly ubiquitous in some cities, has faced about its sourcing practices, which are no worse than, and quite possibly better, than those of its competitors, especially since it implemented its innovative Sourcing Guidelines, which require its coffee bean suppliers to maintain key environmental, social, economic, and quality standards. But it is the largest company, and hence its practices are more noticeable and leave a larger footprint than do those of smaller competitors.

Thus, possibly the most insidious paradox of corporate citizenship derives from the reality that in many instances it is the very success of a company's business model that creates problems in society, nature, or for stakeholders. Numerous observers consider the current economic model to be broken, especially with respect to its societal impacts (e.g. Cavanagh et al., 2002; Korten, 1995, 1999; Handy, 2002; Bakan, 2004). As noted above, the dominant economic logic emphasizes short-term profitability, has an overly narrow orientation toward owners who, as Handy (2002) points out, are really only investors, and emphasizes dominance and growth of the company at the expense of most stakeholders.

CSR as Failed Antidote

Traditional approaches to corporate citizenship, based on an understanding of corporate *social* responsibility (Carroll, 1998; see Waddock, 2004, for an elaboration of definitions) or performance (Wood, 1991) that aims at the discretionary and philanthropic things that companies do to enhance their reputations do not seem sufficient to solve the real problems of corporate citizenship that derive from strategic success, the nature of which have been detailed above. Consider this: Leaders in these companies seem narrowly focused on economics and efficiency (economizing, Frederick, 1995), rather than treating other stakeholders (and nature) with respect. For example, here are Sam Walton's (Wal-Mart's founder) Three Basic Beliefs, on which Wal-Mart was built, which are posted on the Wal-Mart website:

> Sam Walton built Wal-Mart on the revolutionary philosophies of excellence in the workplace, customer service, and always having the lowest prices. We have always stayed true to the Three Basic Beliefs Mr. Sam established in 1962:
>
> 1. Respect for the individual
> 2. Service to our customers
> 3. Strive for excellence
>
> (http://www.walmartstores.com/AboutUs/321.aspx, accessed 3 June 2008).

There is nothing wrong (and indeed, much right) with these statements as a business model; however, his set of beliefs also comes closest to a public articulation of Wal-Mart's corporate citizenship philosophy that can be found on the website. The company does detail the specifics of its employee, diversity, environmental, and community-related practices, which have received awards on a

separate webpage (see Exhibit for the highlights as of 2005). Tellingly, given its community-related controversies, Wal-Mart has established a foundation, the theme of which is: "We're committed to the communities we serve. We live here, too, and we believe good works" (Wal-Mart Foundation website[2]). For what it calls "Good Works," i.e., its philanthropic programs, Wal-Mart states the following philosophy:

> Wal-Mart's Good Works community involvement program is based on the philosophy of operating globally and giving back locally. In our experience, we can make the greatest impact on communities by supporting issues and causes that are important to our customers and associates in their own neighborhoods. We rely on our associates to know which organizations are the most important to their hometowns, and we empower them to determine how Wal-Mart Foundation dollars will be spent. Consequently, our funding initiatives are channeled directly into local communities by associates who live there. Wal-Mart Foundation website: (http://www.walmartfoundation.org/wmstore/goodworks/scripts/AboutUs.jsp), see also: http://walmartstores.com/CommunityGiving/203.aspx (accessed 3 June 2008).

While laudable in its own right, the activities of any foundation or charitable giving program alone cannot and do not constitute good corporate citizenship (defined in the broad sense) for a company whose impacts are as many and as broad in scope as Wal-Mart's. Something more is needed to balance the interests of society against those of economy, something that is unlikely to happen based on companies' goodwill alone, simply because their incentives are focused on short-term profitability and share price. *Societal* welfare depends on healthy companies, to be sure, but it also depends on good treatment of employees and other stakeholders, as well as products and services that add true value for customers and do not detract from ecological sustainability. Doing this well . . . meeting the real demands of corporate citizenship . . . means that society itself (through governments) must specify the standards to be met—and ensure that companies actually live up to those standards.

It is increasingly clear that the corporate citizenship agenda is being misinterpreted—and perhaps misused—by companies as a smokescreen to hide the real negative impacts of some of their practices, the ironic fruits of success for the company that result in problems and externalities imposed on societies. Even as conservative a magazine as *The Economist* has recognized these realities:

> . . . private enterprise serves the public good only if certain stringent conditions are met. As a result, getting the most out of capitalism requires public intervention of various kinds, and a lot of it: taxes, public spending, regulation in many different areas of business activity. It also requires corporate executives to be accountable—but to the right people and in the right way (Crook, 2005).

As long as corporate citizenship/responsibility is narrowly interpreted to mean specific "do good" activities and, indeed, as long as societies rely on the voluntary goodwill of managers to behave in responsible ways when the incentives of profitability push them in other directions, there will be problems and externalities that derive directly from the successes of companies, just as we have seen with Wal-Mart.

Conclusion

Most companies are simply trying to succeed by playing by the current rules of the game, which allow them to externalize many of their real costs to society without much regard for the true consequences of their actions and strategies (see also Handy, 2002). So none of these companies' leaders, arguably, is ill-intentioned. All are trying to meet the expectations that have deliberately been placed on them by (in this case American) society: to maximize profits in the best interest of shareholders, as well as to achieve competitive success for their companies and career success for themselves. In focusing on these goals, however, corporate leaders too often overlook or ignore the societal and ecological implications of their actions and of their successes. As Bakan's (2004) explosive book (and related movie) *The Corporation* points out, the actions that companies take bear significant resemblance to those of a sociopath. And to control a sociopath, we need to take more severe measures than can be found in the activities we now call corporate social responsibility.

Appendix

Exhibit 1: Headlines Illustrating Concerns About Wal-Mart

- "Welcome to Wal-World: Wal-Mart's Inexhaustible March to Conquer the Globe" (Rowell, 2003).
- "Taking on Sprawl-Mart: Sprawl-Busting, Community to Community" (Multinational Monitor, 2004).
- "There's Big—and There's Wal-Mart": Winners on a Huge Scale (Strategic Direction, 2004).
- "Wal-Mart's Woman Problem" (Daniels, 2004).
- "Being the World's Biggest Target" (Bergdahl, 2004).
- "Is Wal-Mart Too Powerful?" (Bianco et al., 2003).
- "Can Wal-Mart Get Any Bigger?" (Saporito et al., 2003).
- "Are Chain Stores Ruining the Landscape of America?" (Sanson, 2004).
- "Wal-Mart's Surge Leaves Dead Stores Behind" (Stringer, 2004).
- "Wal-Mart Cuts the Union" (Cray, 2000).
- "Retail Changes Associated with Wal-Mart's Entry into Maine" (Davidson & Rummel, 2000).

Exhibit 2: Wal-Mart Statements of Corporate Responsibility

Wal-Mart Stores: Commitment to Our Communities

Overview

Wal-Mart Stores, Inc. believes each Wal-Mart store, SAM'S CLUB and distribution center has a responsibility to contribute to the well-being of the local community.

Our more than 3,400 locations contributed more than $150 million to support communities and local non-profit organizations. Customers raised an additional $75 million with the help of our stores and clubs.

Philosophy

Wal-Mart's Good Works community involvement program is based on the philosophy of operating globally and giving back locally. In our experience, we can make the greatest impact on communities by supporting issues and causes that are important to our customers and associates in their own neighborhoods. We rely on our associates to know which organizations are the most important to their hometowns, and we empower them to determine how Wal-Mart Foundation dollars will be spent. Consequently, our funding initiatives are channeled directly into local communities by associates who live there http://www.walmartstores.com/wmstore/wmstores/Mainnews.jsp (1/5/05), see also: http://walmartstores.com/CommunityGiving/, (accessed 3 June 2008).

Under "Our Commitment to People" Wal-Mart lists a series of awards and recognitions it has received. Similarly, the company lists a series of facts about its employment policies under the rubric: "Our Commitment to Responsible Employment."

Our Commitment to People

- Wal-Mart Stores, Inc. is the leading private employer of emerging groups in the United States. More than 160,000 African American associates and more than 105,000 Hispanic associates work for Wal-Mart Stores, SAM'S CLUBS and Wal-Mart's logistics facilities nationwide
- Wal-Mart Stores, Inc. received the 2002 Ron Brown Award, the highest Presidential Award recognizing outstanding achievement in employee relations and community initiatives
- The National Hispana Leadership Institute recognized Wal-Mart with the 2002 National Leadership Award for its support of leadership and development programs for Latinas
- The NAACP presented Wal-Mart with the NAACP 2000 Pacesetter Award for corporate leadership
- The National Action Network (NAN) presented Wal-Mart Stores, Inc. with the 2002 Community Commitment Corporate Award in recognition of community involvement and diversity practices
- Wal-Mart received the Hispanic National Bar Association (HNBA) 2002 Corporate Partner of the Year Award for its consistent support and best practices in the area of diversity
- The Organization of Chinese Americans (OCA) appointed Wal-Mart Stores, Inc. to its 2002 Corporate Advisory Board
- Wal-Mart received the prestigious 2001 and 2002 Billion-Dollar Roundtable Award for spending more than $1 billion with women and minority-owned suppliers

- The American Minority Supplier Development Council named Wal-Mart as the 2001 Minority Business Advocate of the Year
- Hispanic Business Magazine named Wal-Mart one of the Top 25 Diversity Recruitment Programs in 2001 for its aggressive program to hire and promote Latinos and Latinas
- Wal-Mart Stores, Inc. received a Blue Ribbon Board Award from the organization Catalyst for having two women on its board of directors. Catalyst is a nationally established organization that works with the business sector to advance women

Our Commitment to Responsible Employment

- Wal-Mart is recognized as one of the leading employers of disabled people in the nation. In the 2002 annual poll by *Careers for the Disabled* magazine, Wal-Mart was named 1st among all US companies in providing opportunities and a positive working environment for people with disabilities
- With more than one million associates nationwide, Wal-Mart Stores, Inc. is the fastest-growing and largest private employer in the United States. Both full-time (approximately 70% of Wal-Mart's work force) and part-time associates are eligible for benefits
- Since the inception of Wal-Mart's profit-sharing plan in 1972 and the inception of Wal-Mart's 401(k) plan in 1997, Wal-Mart has contributed nearly $3 billion toward the retirement funds of its associates
- Wal-Mart Stores, Inc. is one of the leading employers of senior citizens in the US employing more than 164,000 associates 55 and older (http://www.walmartstores.com/wmstore/wmstores/Mainnews.jsp?BV_SessionID=@@@@0511680954.1104867644@@@@&BV_EngineID=cccgadcmilmfdflcfkfcfkjdgoodglg.0& pagetype=news& categoryOID=-8772& catID=-8248& template=DisplayAllContents.jsp). (1/4/05).

Notes

1. There are numerous terms related to corporate responsibility, including corporate social responsibility, corporate responsibility, corporate citizenship, and, increasingly, sustainability. Waddock (2004) traces the evolution of some of these terms and provides the following definitions: Corporate social responsibility involves the direct activities and involvements of companies in improving or bettering the societies and natural environment in which they exist, and which go beyond the normal activities of the business. Corporate responsibility and corporate citizenship (used interchangeably) involve the ways in which companies' visions, values, strategies, and operating practices impact the many stakeholders and the natural environment—and the inherent responsibilities associated with those impacts.
2. See website at: http://www.walmartfoundation.org/wmstore/goodworks/scripts/index.jsp, (accessed 1/13/05 and 28 May 2008).

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Corporate Social Responsibility, Corporate Moral Responsibility, and Systems Thinking: Is There a Difference and the Difference it Makes

Patricia H. Werhane

A volume on leadership would be seriously incomplete without a contribution on corporate social responsibility (CSR). The essays on CSR in the present work offer insights that are important in this new century of corporate corruption and moral challenges. I shall take up the gauntlet by asking us to think more carefully about what we mean by the term, "corporate social responsibility." There is today a vast and growing literature on CSR, illustrated most prominently by the new volume on CSR edited by Steve May, George Cheney and Juliet Roper published by Oxford University Press (2007). But just what do we mean by CSR? Is it sometimes a fig leaf to distract us from investigating corporate misconduct? Does the term serve as an umbrella term to cover a number of related corporate relationships and alliances? Or, is in fact the term referring to what I take to be the greatest challenge for companies today: the moral responsibility to create economic, environmental, social and moral value-addition in an age of distrust and disillusionment about business?

The Fig Leaf

Let us begin by tracing some early definitions of CSR. According to Davis and Blomstrom, two of the early thinkers in this field, "[corporate] social responsibility is the obligation of decision-makers to take actions which protect and improve the welfare of society as a whole, along with their own interests." (Davis and Blomstrom, 1975, 23) A. B. Carroll, often cited in this regard, expands this definition. "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979, 500; see also Waddock, 2004, for a thorough summary of this literature).

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The problems with the David/Blomstrom/Carroll early definitions[1] are twofold. First, there is an almost exclusive focus on business/society relationships, neglecting corporate relationships to their employees, customers, suppliers, and shareholders who directly account for and depend on company success or failure. Second, given this definition, CSR has been sometimes misidentified with corporate *discretionary* responsibilities to the communities in which companies operate, e.g. philanthropy, charity, or community public relations. Companies who engage in such practices aim to be considered "socially responsible" despite what they do commercially in the marketplace. Enron, for example, was a large donor to the city of Houston and to a number of religious institutions to which its executives belonged. HealthSouth and its CEO were, and perhaps still are, the largest donors to city projects in Birmingham, Alabama. The Rigas family, founders of Adelphia Communication, gave millions of dollars to the city of Coudersport, Pennsylvania, its corporate headquarters while "borrowing" money from Adelphia after it was publicly traded. In every instance, these gifts were discretionary and covered up or sidetracked what these companies and their executives were doing: lying, cheating, and stealing from their shareholders and, as a result in Enron's case, from employee pensions. Worse, they gave away what were allegedly corporate profits while running these companies badly.

Two years ago, the parent company of United Airlines was in bankruptcy and declared its pension fund bankrupt as well, thus destroying promised pensions for many of its retired highly paid pilots and managers.[2] During this period, United was one of the largest corporate donors to the Lyric Opera in Chicago. I would argue that this kind of "generosity" is an illustration of CSI, corporate social *irresponsibility*. Companies do have responsibilities to the communities in which they operate just as ordinary citizens and residents do. But philanthropy and charity are discretionary options, both for individuals and for corporations. A company's primary responsibilities are to their employees, customers, suppliers and shareholders and to the communities in which they operate. Their primary responsibilities to the latter have to do with how they affect and are affected by those communities. So, for example, when a company is engaged in coal mining, it is responsible for the effects of mining on that landscape, water, and air. United Airlines and the Lyric Opera have little impact on each other. When employees are being laid off and lose their pensions it is the airline's responsibility, its primary *moral* responsibility, to address and redress that set of problems first, because these are issues that have to do with its operations, management, and profitability, the reasons for its being an airline in the first place. Thus, in the analysis and discussions of CSR, one must take care that the requirement focuses on what companies are morally obligated to do, not merely on discretionary community gifts, particularly when they are used to distract from these former moral obligations.

The Umbrella: CSR and/or CMR

In the latest literature on CSR, most writers avoid a huge misnomer, that of limiting CSR to discretionary external relationships between companies and society. In the new thinking, CSR has been expanded from the original Davis/Blomstrom/Carroll

definitions to include "the responsibility of a company for the totality of its impact . . . " (Chandler, 2001 quoted in Stohl, Stohl, and Townsley, 2007, 34) including corporate governance, diversity, environmental and legal concerns, social perspectives, and global impact. The term CSR may encompass responsibilities to one's primary stakeholders: employees, customers, suppliers and shareholders, as well as to almost any other individual, institution, culture, or society to which a company may affect or be affected by, obligations to the natural environment and the ecosystem, relationships with the public sector, governments, and NGOs, and its global impact, broadly construed. Thus, CSR turns into an umbrella term to cover almost every possible obligation, concern, effect, or responsibility that an organization might encounter including externalities resulting from corporate behavior or neglect of behavior.

As part of the extensive coverage on CSR, CSR is often linked to or identified with corporate *moral* responsibility (CMR). In the recent past, however, these two, CSR and CMR, have been somewhat distinguished from each other, in that the CSR focus is primarily on the relationships between business and society, while the former focuses primarily on shareholder and other more closely tied stakeholder relationships, as the Davis/Blomstrom/Carroll quotations illustrate. Initially, CSR referred to corporate community responsibilities, in the primarily external relationships between a company and society. Corporate *moral* responsibility, referred to obligations a firm has as a result of its existence, its primary aims and goals, the scope and nature of operations, and its various interactions with those who affect, and are affected by, the organization. Sometimes, moral responsibility has been interpreted primarily as fiduciary responsibilities to shareholders, the providers of capital to the firm (Friedman, 1970). More often, these obligations are formulated as obligations a company *should* have to those whom it affects and who make a difference in the company: its primary stakeholders, one of which, of course, are its shareholders, as well as its employees and managers, customers, and suppliers: and secondarily its obligations to communities in which it operates. Note that these are normative obligations – they spell out what a company *should* do, how it should respect its stakeholders who create value-addition, how it should not create harm to communities or to the environment, and how and in what ways it should, or is not obliged to, promote further social, economic and environmental well-being.

There is nothing wrong with embracing CMR as part of CSR, so long as one is aware of these distinctions, and so long as one does not confuse descriptions of what companies actually do with what companies should do, all things considered. The fear of the conflation is twofold, however: the fear that by adapting a CSR stance we will expect too much of corporations, or that in focusing primarily on CMR, we will neglect societal effects and obligations. I shall say more about this.

If companies have all the responsibilities spelled out above: to stakeholders, to the environment, and to society, and I am not going to challenge that assumption although I shall qualify it, I would suggest that these responsibilities are of several varieties. First, there are legal responsibilities as spelled out by the constitution and laws of the countries in which companies operate. Most authors are careful not to confuse CSR with corporate legal obligations as prescribed by law. Secondly, there are fiduciary responsibilities to shareholders for a return on their investment,

to employees and suppliers for fair treatment and adequate remuneration, and to customers to deliver what they paid for. Interestingly, in many writings, fiduciary obligations to shareholders are sometimes weighed as less important than obligations to other stakeholders or to the environment. This is interesting, if not a weakness, since those fiduciary shareholder obligations still weigh heavily upon managers and are justified in most legal systems. Further, some writers indicate that CSR implies that companies have further responsibilities, to respect the dignity and rights of their stakeholders, to respect the cultures and societies in which they operate and to preserve, if not to improve, the ecosystem. But what is the nature and extent of these? Are not some of these *moral obligations*, that is, do they spell out what a company or at least a good company should do? Are they required? Or do they merely spell out exemplary discretionary standards? So long as a company is not creating more harm than good, it could be argued that these are nice things to do, they exemplify good citizenship, but companies that are not deliberately socially proactive are not necessarily evil.

The question of the extent and scope of CSR and its link to CMR leads us back to two prior issues. First, outlining CSR and referring to corporate responsibilities that go beyond legalities makes an implicit assumption. The assumption is that we can hold institutions such as corporations responsible, morally and socially responsible, just as we hold individual people morally and socially responsible. Second, even if we can make a case for institutional responsibility (and I shall try to do so in the next section), we then have to address the extent of that accountability. Are pharmaceutical companies manufacturing HIV/AIDS drugs responsible for their distribution throughout all of sub-Saharan Africa to the 40 million or more infected victims? Are oil companies responsible for political unrest in all the countries in which they drill? And what is the line between assuming that responsibility and national autonomy? Are clothing retailers responsible for the outsourcing of their goods manufacture, e.g. whether or not they were made under sweatshop labor conditions? Using some specific examples, I shall suggest how one might think about those responsibilities in ways that are both imaginative and not prohibitive to corporate survival and well-being.

Corporate Moral "Personhood" and Moral Responsibility

To think through these issues, let us turn to the term, "corporate moral responsibility." Can one hold an *organization*, in contrast to an individual person, morally responsible? As Dean Ritz summarized in his essay, "Can Corporate Personhood be Socially Responsible?" (2007, 190–205), some years ago. I defended a modified version of corporate moral personhood, arguing that corporations are secondary moral agents. As Ritz argues succinctly in his paper, while corporations are by and large treated as legal persons under the law, this is wrongheaded, and these laws should be changed. I would agree. Such legal largesse extends to corporations the same rights as to individual (human) persons. Because many companies wield a

great deal of economic and sometimes political power, this legal contention that corporations are legal persons extends to them *more* in the way of rights than to individual persons.

My arguments for corporate secondary moral agency, however, were not an attempt to bolster the legal position on corporate personhood. Rather, the argument I defended, and still defend, is that, whatever their legal status (and that may differ from country to country), corporations are secondary moral agents (Werhane, 1985). These arguments are defended on two grounds. Corporations are created by, are made up of, and depend upon individuals and groups of individuals for their existence and legal charter. They also depend on human individuals for capital, property ownership, contracts, management, sales, productivity, supplies, marketing, market share, clients, customers, etc. Companies function, and can only function, as a result of human interactions. At the same time, in our ordinary language we speak of corporate responsibilities just as we speak of individual responsibilities. To use some quotations from articles on CSR, "Wal-Mart, Starbucks, Microsoft, Home Depot, and CVS [have] a dark side to their successes . . . " (Waddock, 2007, 74), "Boeing introduced lean manufacturing . . . " and "Boeing's shady dealings . . . " (Cloud, 2007, 220), "Shell Oil's effort to improve its environmental and CSR image . . . " (Livesey and Graham, 2007, 337), "Some organizations such as Cummins Inc. have established long records of attending to social issues . . . " (Seeger and Hipfel, 2007, 157), "McDonald's joined with the ostensibly hostile environmental group . . . " (Livesey and Graham, 2007, 344), "Nike and the Sweatshop Problem" (Knight, 2007, 305), and there are many other citations. So we tend to hold corporations as well as individuals morally responsible.

We are left with two temptations, both of which are questionable. The first is to ascribe to companies full moral personhood parallel to their legal personhood (French, 1979). But this is erroneous. It is erroneous because, unlike rational adult persons, companies cannot act on their own. They cannot come to dinner, shake hands, deliberate, make choices or change their minds, feel guilty or innocent or even be brought to trial on their own without the concerted activities of those human agents managing and affecting the corporate activities. There is no autonomous moral phenomenon, the Corporation, despite legal incorporation and extensive legal rights. Corporations are created by, function because of, and are destroyed by, human beings, usually massive groups of human beings in complex interrelated activities. So corporations are not full-fledged moral persons.

On the other hand, and this is the second temptation, it is equally suspect to ascribe and distribute all corporate activities, good deeds, or wrongdoing to the individuals who manage and affect their operations (Velasquez, 1983). This is because at least large companies act as collectives. What they do is a result of their mission, their operating principles, and activities of thousands of groups of employees and managers. As a result, it is difficult at best, even in a small company, to trace the source of all activities back to the instigators of the ideas and thus to ascribe praise or blame. For example, Shell Oil has been highly criticized for its operations in the Nigerian Ogoniland oil fields. Shell's management has acknowledged these criticisms and has tried to remedy some of these problems. They did not and could

not dismiss all those responsible, because the Ogoniland drilling was a result of a long chain of corporate decisions, a collective set of actions, and one cannot trace them back to all the individual culprits. Their remedy has been to revamp mission statements and codes of ethics. People have left but not because of what they did or did not do in Ogoniland but because they had not signed on to the newly formulated mission (Stohl et al., 2007, 40). Note that this is different than, say, the Tyco case, where the CEO, Dennis Kozlowski and the CFO, Mark H. Swartz were pretty much individually, directly responsible for their misuse of funds. In the Tyco case, we have real live individual culprits and we do not want to let them "off the moral hook" either.

To conclude this section, we do hold institutions such as corporations, as well as individuals, morally responsible. This is not just rhetoric. They act as collectives because "*not all actions of corporations are redescribable merely as individual actions*" (Werhane, 1985, 31). Collective action is often secondary action, a result of a complex set of actions often in response to stated or implicit corporate mission, goals, and corporate culture. As a result, employees, managers, legal experts and others often act as agents on behalf of the company, sometimes bracketing their own desires, interests and moral belief systems.[3] When there is a series of iterations and variations of these actions, the result, what a company does, cannot be traced back to specific individuals. The individual perpetrators become anonymous; yet the result is corporate activity, e.g. drilling in Ogoniland, contracting with manufacturers who use sweatshop labor for clothing and shoes, underpaying employees, creating environmentally sustainable goods, etc. Thus, corporations and other collectives are secondary moral agents. While not being independent agents, they are nevertheless responsible for their actions, even when we cannot find the initiating company individuals to praise or to blame.

Corporate Moral Obligations

Individuals and, secondarily, companies are held morally responsible when (a) they make choices, rather than when they are coerced, (b) when they intend a certain result to occur (even if it does not), or cause an action to occur out of their own choices even sometimes when the result was involuntary, (c) when, within their abilities and capacities, they could have prevented harm or, sometimes, improved a situation, and/or (d) when, with adequate information, they are faced with more than one alternative and thus could have made another choice. And (e) companies are usually held responsible for outcomes of their actions as well. Attributing corporate *social* responsibility is sometimes more difficult, I will suggest. Sometimes, we expect too much of companies, because of their economic largesse, other times we let them off when we perhaps should not. These expectations, or lack thereof, are particularly true when we focus only on corporate external social responsibilities, or when we confuse moral obligations with more discretionary responsibilities.

To analyze these confusions, let me begin with a few grandiose examples and try to generalize from them. [Wal-Mart, Shell, HIV/AIDS in South Africa] I shall begin with Shell Oil in Ogoniland, Nigeria. I shall not reiterate the case, but only point out some of the obvious critiques of that set of operations, critiques that Shell itself acknowledges. The drilling operations have created environmental degradation, and the company paid royalties to the formerly corrupt Nigerian government. It engaged in some but allegedly inadequate investment in the Ogoni communities, it hired mostly expatriate labor, and it did not intervene in the Ogoni Ken Saro-Wiwa's political crisis that led to his military tribunal trial and hanging (along with eight other co-defendants) (Newburry and Gladwin, 2002).

All of these outcomes are bad, very bad. But let us step back from the horrors of these outcomes, and evaluate the extent and scope of Shell's moral responsibilities. One wants to argue that Shell is responsible for the environmental degradation resulting from its drilling. True, but is it also responsible for the environmental degradation resulting from Ogoni and other dissidents who tapped into the pipelines, thus creating increased massive spills and fires? One must take care here not to attribute ALL environmental destruction in that region to Shell. Shell should have invested more heavily in the communities in which it drilled, thus preempting possible pipeline violence. True, but . . . how much should Shell have done? What are the limits of its obligations to the Ogoni, as opposed to the responsibilities of the Nigerian government? And, when does community involvement become paternalism, or worse, interference with national sovereignty? The Nigerian government at the time of this case was notoriously corrupt. So, it could be argued, Shell should not have dealt with them, it should not have drilled in Nigeria, or pulled out. True, but . . . and here we see an example of what I have called elsewhere "moral risk" (Werhane, 2004; Werhane et al., 2006). Is it better for a company to do business in a developing economy even when its government is corrupt, or to abstain? Shell's intervention in the Ken Saro-Wiwa case might have saved his life. Shell's abstention in this case is often considered morally reprehensible. But again, such involvement would entail an enormous moral risk, although it is a risk, I would contend in this instance, they should have undertaken. When and in what circumstances should a company interfere with national sovereignty, particularly around issues of patriotism and dissident behavior?

My point in this example is to argue that thinking about this case in terms of CSR may push us to ask too much of Shell, holding it liable for all the Ogoniland problems. But to ignore Shell's moral behavior is to ask too little. Rather, one should frame these issues in terms of Shell's moral obligations. What is the extent of its obligations to a region and a community in which it operates? What is it capable of doing and achieving? When and in what ways would it be overextending its responsibilities and interfering with another sovereign nation? And, when should it simply withdraw from a region altogether? These are difficult questions that have no simple answers. But, asking them pushes companies such as Shell to think through their moral responsibilities, capabilities and liabilities. Simply to say that they are or should be "socially responsible" and/or engage in "environmentally sustainable

operations," I would conclude, does not frame the issues in ways that both extend and limit Shell's obligations.

Let me turn to the ethicists' favorite current "bête noire," Wal-Mart. Wal-Mart provides its customers with good quality at the cheapest prices in the country, thus allowing low income families (and the rest of us) opportunities to purchase more goods from our limited budgets. Yet it produces almost none of what it sells, and much of its merchandise is furnished by offshore suppliers who use nonunion sweatshop labor. Wal-Mart does not allow unions to organize its labor force, and it has been accused of various employment mistreatments at its stores in this country. It puts constant pressure on its suppliers to lower their prices (Fishman, 2003; Waddock, 2007). If one looks at Wal-Mart from the shareholder perspective, on the other hand, it does very well. It also engages in a great deal of philanthropy. Last year it gave away $17million, most of it to local communities; its managers and executives are paid very well, and its mission statement reads like an ethics thesis.[4] From the perspective of those who work in Wal-Mart locations that take advantage of their employees, those working in offshore sweatshops without benefits, often not paid for overtime and paid below a living wage (National Labor Committee, 2000), and of its suppliers, all of whom are constantly pressured to lower their costs of goods, Wal-Mart looks different. Thus, as Waddock exclaims, this creates a paradox of low prices, low costs, shareholder largesse, and supplier and employee suffering (Waddock, this volume). How can one resolve this paradox? What is the extent of this company's obligations, particularly to sweatshop workers who are not Wal-Mart employees, but work instead for a manufacturer who sells to Wal-Mart? What are the limits, if any, to Wal-Mart's obligations, and how and in what ways can we hold them accountable? How can they meet customer and shareholder demands and raise wages?

A third example is the HIV/AIDS pandemic in sub-Saharan Africa and in particular, in South Africa. According to the best data, between 25 and 30% of all South Africans are HIV-positive. This population is primarily black, poor, and uninsured. There are a number of political reasons why this epidemic was not addressed early on. But now HIV is being recognized as the cause of AIDS, and the epidemic is addressed. We also now know that thanks to scientific advancement, those who are infected can be put in remission by daily doses of an AIDS "cocktail," a combination of two or three drugs administered throughout the day. The cost of this cocktail on the Western market is about $15–20,000/year. According to Marcia Angell, however, the same cocktail can be delivered for as little as $300/year if manufactured generically. Doctors without Borders contends that the price, $300, can be further cut in half (Angell, 2004, 2005, pp. 207–8; Medicins sans Frontieres 2006).

Who should take the lead in attacking this disease? Even when the disease is recognized and prevention measures as promoted, South Africa does not have enough money to provide drugs for most of its infected indigent population. Samkin and Lawrence (2007) relate examples of companies in South Africa that are addressing this problem with their infected employees, in some cases providing funds for drug treatment, as well as counseling and other remedies. But, dealing with this pandemic as more and more employees become infected (and that is a high probability) will be

very costly, perhaps prohibitive, Doctors without Borders has limited funds as well as a limited medical staff to handle this crisis. A number of Western pharmaceutical companies who contend that their mission is to cure disease,[5] claim that by themselves, they cannot furnish enough doses without going bankrupt. And there are other difficulties. Even if pharmaceutical companies forgo profits and quit worrying about patent copying, companies dealing in countries like South Africa cannot simply give away HIV drugs. They cannot, because there are few distribution channels, few medics to administer and monitor the drug use, and little in the way of adequate delivery and follow-up systems in most of South Africa. If the drugs reached the ill, without medical assistance they likely will be misused. Giving away the drugs without monitoring is dangerous, because often these drugs get into the black market. They are then diluted and/or sold back to developed countries at discount prices.[6]

Surely, the countries in which this disease flourishes have responsibilities to their citizens to address this problem, but they cannot. Pharmaceutical companies who manufacture HIV/AIDS drugs did not start or perpetuate the HIV epidemic; why and in what ways are they accountable? Faced with what appear to be overwhelming challenges, these companies could follow the easy path of doing nothing, which, in fact, is what was happened until recently. But, given the mission of pharmaceutical companies, the overwhelming extent of this epidemic, the pressure of their researchers and public opinion to address the HIV epidemic, the hopelessly poor countries in which the epidemic is prevalent, and the efficacy of HIV drugs, this option appears to be morally irresponsible (Werhane and Gorman, 2005).

All of these examples illustrate corporate dilemmas. Even if we assume, for the sake of the argument that these companies care about these dilemmas, are they trapped in "Catch-22" situations? How and in which ways are these companies obligated to remedy these situations, or are they instances of corporate discretionary social responsibility? I would suggest not, but the reasons are complicated and have to do with what is called systems thinking.

Systems and Systems Thinking

I have intimated that one of the critiques of non-discretionary CSR is that it sometimes asks too much of companies, particularly in their societal relationships. On the other hand, one of the critiques of a CMR approach is that it is too narrow, preoccupied with primary stakeholder relationships without developing a robust understanding of the complex networks of relationships that unavoidably exist between a company and its communities (Painter-Morland, 2007). A systems approach is one possible antidote to both these questions.

A system is "a complex of interacting components together with the relationships among them that permit the identification of a boundary-maintaining entity or process" (Laszlo and Krippner, 1998: 51). A truly systemic view thus considers how . . . [a company] . . . operates in a system with certain characteristics. The system involves interactions extending over time, a complex set of interrelated decision

points, an array of actors with conflicting interests, . . . and a number of feedback loops. . . . Progress in analyzing . . . . can only be made with a full understanding of the systemic issues (Wolf, 1999, 144). Systems are connected in ways that may or may not enhance the fulfillment of one or more goals or purposes: they may be micro (small, self-contained with few interconnections), mezzo (within organizations and corporations), or macro (large, complex, consisting of a large number of interconnections). Corporations are mezzo-systems embedded in larger political, economic, legal, and cultural systems. Global corporations are embedded in many such systems. These are all examples of "complex adaptive systems", open interactive systems that are able to change themselves and affect change in their interactions with other systems (Plsek, 2001). What is characteristic of all types of systems is that any phenomenon or set of phenomena that are defined as part of a system has properties or characteristics that are altered, lost, or at best, obscured, when the system is broken down into components. For example, in studying corporations, if one focuses simply on its organizational structure, or merely on its mission statement, or only on its employees or customers, one obscures if not distorts the interconnections and interrelationships that characterize and affect that organization in its internal and external relationships.

A system consists of networks of relationships between individuals, groups, and institutions. How any system is construed and how it operates, affects and is affected by individuals, just as corporations are. The character and operations of a particular system or set of systems affects those of us who come in contact with the system, whether we are individuals, the community, professionals, managers, companies, religious communities, or government agencies. An alteration of a particular system or corporate operations within a system (or globally, across systems) will often produce different kinds of outcomes. Thus, part of corporate moral responsibility is incurred by the nature and characteristics of the system in which it operates (Emanuel, 2000). For example, how Wal-Mart contracts with its suppliers affects those suppliers and their employees, as well as Wal-Mart's customers and shareholders.

What companies and individuals functioning within these systems focus on, their power and influence, and the ways values and stakeholders are prioritized affects their goals, procedures, and outcomes, as well as affecting the system in question. On every level, the way individuals and corporations frame the goals, the procedures and what networks they take into account makes a difference in what is discovered or neglected. These framing mechanisms will turn out to be important normative influences of systems and systems thinking (Werhane, 2002).

Systems Thinking

What do we mean by "systems thinking" or a "systems approach?" For our purposes, systems thinking presupposes that most of our thinking, experiencing, practices and institutions are interrelated and interconnected. Almost everything we can experience or think about is in a network of interrelationships such that each element

of a particular set of interrelationships affects some other components of that set and the system itself, and almost no phenomenon can be studied in isolation from other relationships with at least some other phenomenon.

Adopting a systems approach, Mitroff and Linstone argue that any corporate action needs to be analyzed from what they call a Multiple Perspective method. Such a method postulates that any phenomenon, organization, or system or problems arising for or within that phenomenon of system should be dealt with from a variety of disparate perspectives, each of which involves different world views where each challenges the others in dynamic exchanges of questions and ideas (Mitroff and Linstone, 1993, Chapter 6). A multiple perspectives approach takes into account the fact that each of us individually, or as groups, organizations, or systems creates and frames the world through a series of mental models, each of which by itself, is incomplete. While it is probably never possible to take account of all the networks of relationships involved in a particular system, and surely never so given these systems interact over time, a multiple perspectives approach forces us to think more broadly, and to look at particular systems or problems from different points of view. This is crucial in trying to avoid problems such as Shell's in Ogoniland, to address the Wal-Mart paradox, or to deal with the HIV/AIDS pandemic, because each perspective usually "reveals insights . . . that are not obtainable in principle from others" (Mitroff and Linstone, 1993, 98). It is also invaluable in trying to understand other points of view, even if, eventually one disagrees or takes another tactic (Werhane, 2002).

In analyzing the Shell/Ogoniland case, I tried to place Shell in a network of relationships: with the Ogoni, the Nigerian environment, the Nigerian Government, to Ken Saro-Wiwa, as well to its primary stakeholders. Each time, however, I raised the question as to the nature and scope of Shell's responsibility, noting how those with whom Shell interacted were not morally exempt either. But there is one more piece to this sort of analysis, one that is not always dealt with by either the CSR or the CMR literature. If a company is to truly take the perspective of its stakeholders, it needs to take a truly multiple perspective approach to stakeholder analysis, and draw and redraw its stakeholder maps. Figure 1 illustrates a standard stakeholder map with the company, this time, Shell in the middle (Freeman, 2007, p. 46). This is logical because we are referring to corporate relationships and responsibilities. But what happens if we redraw that map, putting the Ogoni in the middle? (Fig. 2) I would suggest that at a minimum our attention is redirected; that we think more seriously about the Ogoni as people with rights and needs. In contrast, if we place the then corrupt Nigerian government in the center, their corruption and power is more starkly illuminated (Fig. 3). Similarly, putting Bangladesh sweatshop workers at the center of a stakeholder map, helps us to rethink Wal-Mart marketing and supply chains from a different mental model (Fig. 4).

So a multiple perspectives approach is, in part, a multiple stakeholder approach, but with many configurations and accountability lines. It is also an attempt to shake up our traditional mindsets without at the same time ascribing too much in the way of obligation to companies (Fig. 5).[7]

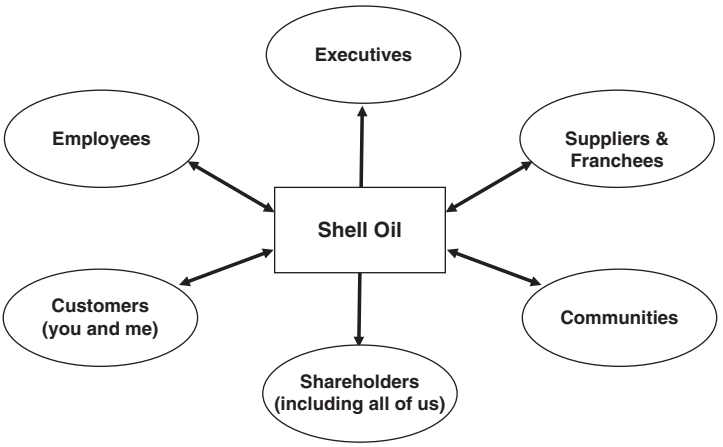

Fig. 1 "Standard" Stakeholder Map

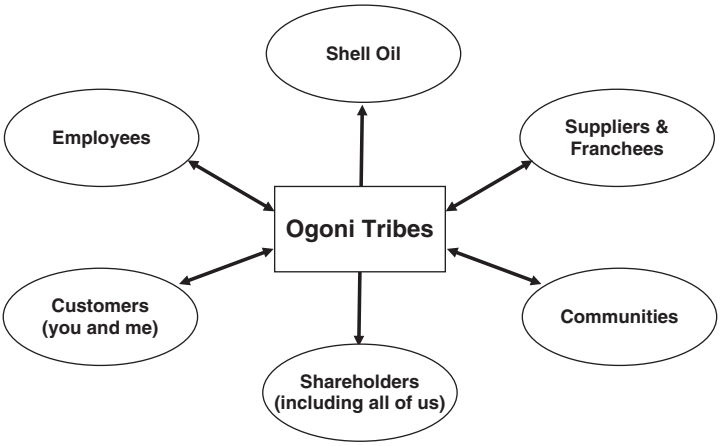

Fig. 2 Revised Stakeholder Map

Corporate Moral Responsibility in a Systems Context

But, one will now ask, what companies take a multiple perspectives approach, how does this differ, if it does, from a CSR approach, and what are the implications? Let me turn to three new examples that parallel Shell, Wal-Mart, and the business perspective of HIV/AIDS in South Africa to illustrate. The first is ExxonMobil's exploration of oil in Chad and the development of a pipeline through Cameroon. Chad and Cameroon are two of the poorest and most corrupt countries in the world (Transparency International, 2005). For example, Exxon's 2001 revenues were $190 billion; Chad's yearly gross domestic product was $1.4 billion. However, ExxonMobil, in partnership with ChevronTexaco and Petronas is investing $3.5 billion in drilling

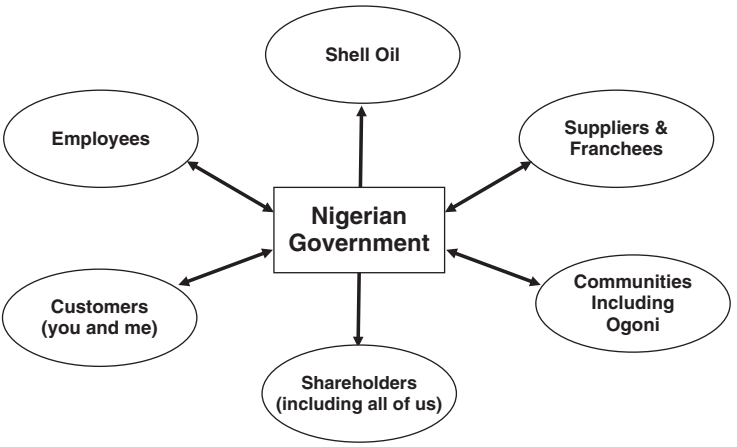

Fig. 3 Revised Stakeholder Map

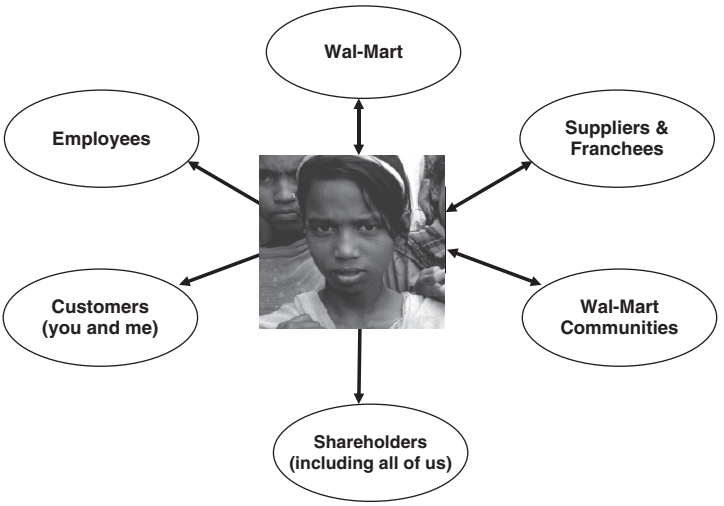

Fig. 4 "Names and Faces"

in Chad and in building a 600-mile pipeline through Cameroon. The project should generate $2 billion in revenues for Chad and $500 million for Cameroon over the 25-year projected drilling period (World Bank, 2002). Still, from ExxonMobil's perspective, carrying out this project is morally risky since, as *Fortune* speculates, the president of Chad, Idriss Déby, who "has a flair for human rights abuses, ... could 'pull a Mobutu.' " (Useem, 2002)

ExxonMobil is a company created by the merger of Exxon and Mobil, and prior to the merger, each was a multi-billion dollar oil company. Exxon was best known for the Exxon Valdez oil spill, and Mobil, according to *Forbes*, in the early 1990s, became involved with a certain James Giffen, known as a "fixer." It is alleged, but

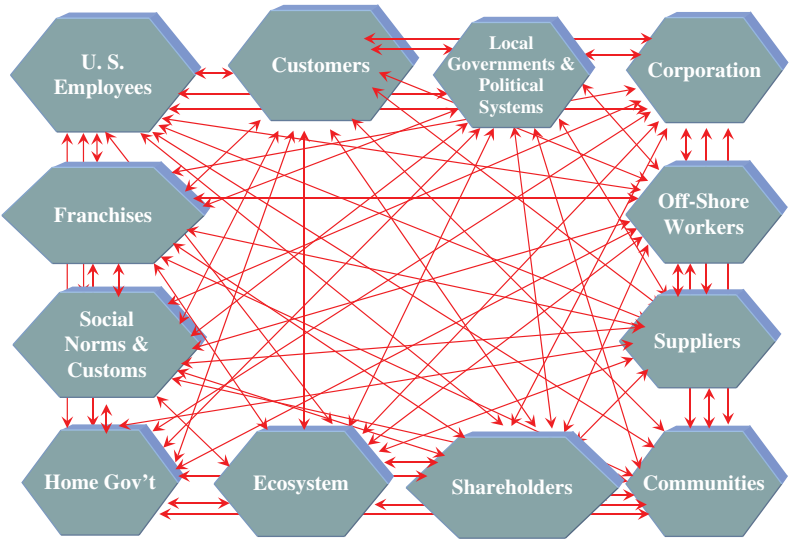

Fig. 5 Stakeholder Networks

not yet proven, that Giffen, in collaboration with a Mobil executive, were engaged in a questionable payment scheme with the Kazakh government in order to get access to Kazakhstan's oil fields. (Fisher, 2003, 84) There is a perception, at least partly true, that until very recently (and this still sometimes occurs) oil companies simply went into a region with a team of expatriate "foreigners," drilled, dug pipelines, pumped oil, and left.

Given that perception and ExxonMobil's spotty past, what is interesting about the Chad-Cameroon project, is Exxon Mobil's approach. ExxonMobil has created an alliance with the Chad and Cameroon governments, the World Bank, a number of NGOs, and indigenous populations in the region. Before approving the project, the World Bank created a series of provisos to ensure that there is sound fiscal management of the revenues received by Chad and Cameroon; it set up strict environmental and social policies, and it consulted with a number of FNGOs to protect the rights and welfare of indigenous people in these regions (World Bank, 2002).

By the middle of 2002, the project employed over 11,000 workers, of whom at least 85% are from Chad or Cameroon. Of these local workers, over 3700 have received high-skills training in construction, electrical and mechanical trades, and 5% of the local workers have supervisory positions. In addition, local businesses have benefited from the project to a total of almost $100 million. The Bank has developed microlending projects accompanied with fiscal and technical training. The aim is to establish permanent microlending banks in Chad and Cameroon. In partnership with ExxonMobil, the World Bank have created new schools, and health clinics, provided HIV education and vaccines against tuberculosis and medical staff to monitor the distribution, and distributed thousands of mosquito nets for protection against malaria, and provided farm implements and seeds to develop indigenous

agriculture. NGOs have worked with local Pygmy and Bantu tribes to alleviate disruption from the pipeline installation. The Chad and Cameroon governments, in turn, have pledged to use the profits they received from the venture to improve the standard of living of their citizens. (Ussem, 2002; World Bank, 2002) This approach is aligned with, although somewhat different from that suggested by Marcus Breen (2007). This is not a public policy approach and to date it has not encouraged substantive input from the various indigenous tribes in the region. Nevertheless it is an attempt to take the interests of the Pygmy and Bantu tribes into account, and that, surely is a positive step.

It would appear that, at least on the surface, ExxonMobil is attempting to apply a systems approach to this drilling, with some success. Its approach then, is holistic, envisioning the company as part of an alliance that takes into account and is responsible to multiple stakeholders, not merely shareholders and oil consumers (Fig. 6). Note that there is no individual, tribe, or institution in the center of the graphic in Fig. 6. The idea is that each of these stakeholders (and there are others I have left out) have a stake in this project; each is responsible – not just ExxonMobil – for the outcomes of this project and each is accountable.[8] This involvement by all stakeholders and their places in an alliance model distinguishes this approach from other business ethics and CSR approaches that place the primary onus of responsibility only on the corporation.

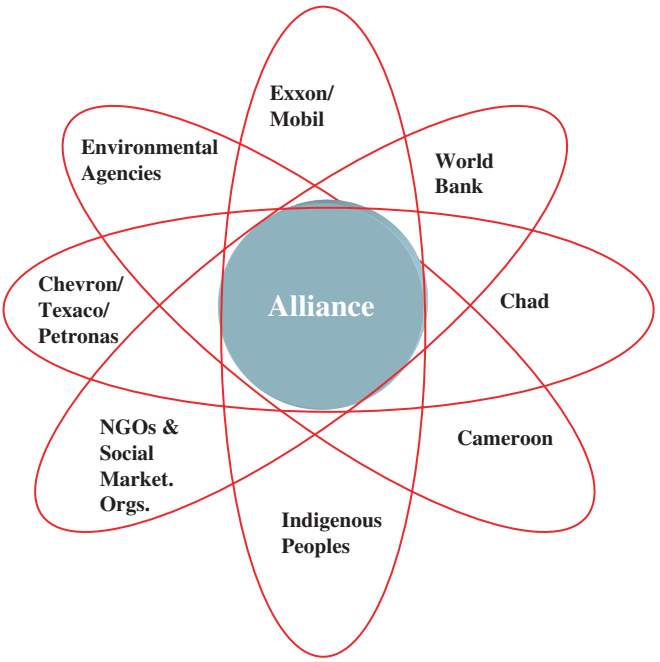

Fig. 6 ExxonMobil's Alliance Model

Using a similar approach, let us turn to a company parallel to Wal-Mart. I shall focus on just one aspect of the Wal-Mart paradox, its suppliers' use of nonunionized sweatshop labor. Nike, as Graham Knight writes, had a similar sweatshop problem (Knight, 2007). Nike owns almost no factories; rather it buys its goods from numerous manufacturers around the world. So it would appear that what these manufacturers do to get Nike goods to market has nothing to do with Nike. Often Nike had little knowledge of what went on in the plants that produced its shoes and other products. This changed, of course, when the media began to focus on the working conditions, pay, and safety in plants producing Nike products. Still, why is Nike, rather than these plants, responsible, and what is the extent of that? As a result of public pressure, Nike began to "look in the mirror" at its mission, corporate image, and challenged itself to think about extending the scope of its responsibilities, engaging in what has become a concerted effort to improve sweatshop conditions not merely in the factories from which it buys but also with the suppliers to those factories. But Nike did not see this problem as merely *its* problem; rather it has taken what I called a systems perspective. That is, it sees its responsibilities as extending beyond its own employees to the system in which its products are produced. It not merely developed a strong Code of Conduct. It has expanded its influence, its employee standards, and monitoring system to its franchises and gradually, to their suppliers as well (Arnold and Hartman, 2005). In this sort of case, one might think of Nike's scope of responsibility in terms of gradually widening concentric circles. Its first responsibility is to its employees, customers, and shareholders; its next circle is to its contracted suppliers, the third to the suppliers of materials for those suppliers. Figure 7 depicts those relationships. Nike cannot monitor everything; it is not and cannot be responsible for everything that goes on in the countries in which it has suppliers; but because of its buying power it can leverage influence and affect supplier conduct. Not to do so would be obligation-avoidance.

The HIV/AIDS pandemic invites a model for the distribution of moral responsibilities similar to the ExxonMobil model. This pandemic is embedded in a complex network of relationships, themselves embedded in a complex set of systems and subsystems, including the diverse cultures and practices of indigenous people throughout South Africa, distribution issues, financing and funding, pressures from shareholders and NGOs, and the ever-present Western pharmaceutical worry about protection of patents from generic manufacture. The responsibilities for arresting this disease cannot lie merely with the South African government, since they are fiscally incapable of delivering drugs to the infected; it cannot lie merely with companies who employ infected people, simply because, again, the fiscal burden may be too great. Pharmaceutical companies making HIV drugs, too, are not the only ones responsible both for fiscal reasons and because they did not cause the pandemic in the first place.

The model I propose, engages companies, donor organizations, NGOs, local villages, and countries in a systemic networking approach to this problem. This is a multi-stakeholder model to attack and work to alleviate the pandemic by distributing [but not avoiding] the risks and responsibilities. This model was developed by

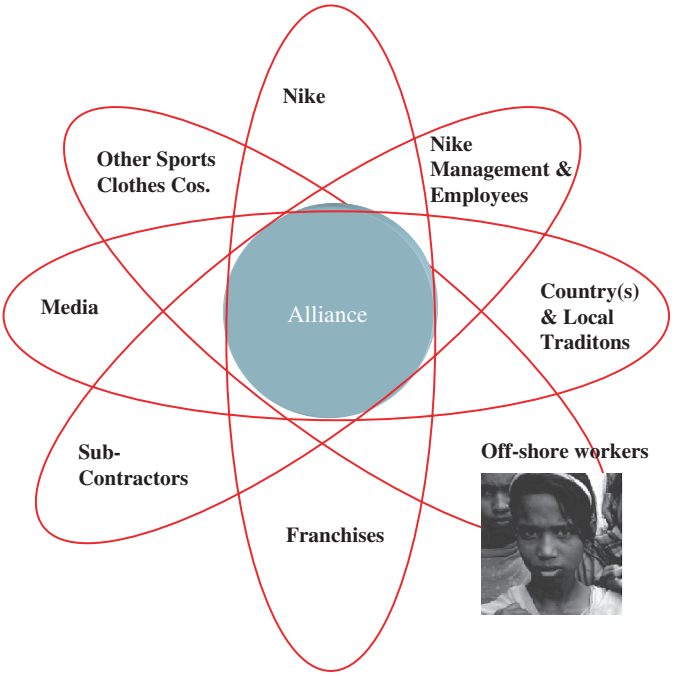

Fig. 7 Nike's Alliance Model

Mary Ann Leeper, COO of the Female Health Company (FHC), a for-profit publicly traded company that distributes female condoms to protect women against HIV infection to over 100 less developed countries including South Africa. The dilemma for this small company was obvious. They had a fine product, a large customer demand for the female condom, and adequate supplies. But, the customer base is penniless, and as we have mentioned, governments in less developed countries with high infection rates have little or no funds for this or any other product. So, Dr. Leeper begins finding donor organizations to support this product. She solicited monies from UNAID, USAID, DFID, social marketing organizations that deeply discount products such as condoms, and other international organizations. But even with money for the product, the company was faced with a second challenge: getting governments in these countries to support the distribution of the product. And there was a third difficulty: training villagers and local health personnel on how to use the product and how to instruct others. By working with local governments and international NGOs, they are gradually overcoming this problem through training and education, village by village in the 100 countries where the FHC distributes its product (Yemen and Powell, 2003) [Fig. 7].[9]

This model requires thinking of this enterprise as a program, not merely as delivering a product, just as ExxonMobil has tried to rethink its approach to drilling operations through an alliance model, and as Nike has expanded its stakeholder

accountability relationships. Employing this model requires proactive corporate initiatives and the adoption of a systems approach to their operations.

Still, we must ask, why would any company engage in this program? These programs take a great deal of time, effort and ingenuity, and positive outcomes are slow to be realized. ExxonMobil may not be successful in dealing with the Chad Government; Nike has not "converted" all its suppliers to a gentler work environment; Doctors Without Borders has had only limited success in South Africa and other regions, due primarily to a paucity of funds, medical staff, and government support. Other companies who are engaging in these processes are also finding that this enterprise is enormously difficult.

There are a number of good reasons why a systems approach is worthwhile. First, and most obviously with the globalization of capitalism, for better or worse, corporations are now required to take into account all their primary internal *and* external stakeholders. Many companies have always done so. The difference, using this model, is the adaptation of multiple perspectives, trying to get at the mindset of each set of stakeholders from their points of view. From the point of view of rights and justice, an alliance model brings into focus the responsibilities as well as rights of various stakeholders, not merely the corporation. Third, in the case of HIV/AIDS, this is a worldwide pandemic that endangers all of us. So even from a self-interested perspective, companies and countries that can, should help alleviate this disease, if only for their own long-term interests. Fourth, if C.K. Prahalad is correct, global marketing to what he calls "the bottom of the pyramid," the less economically developed but most populous countries, is critical for the survival and well-being of global companies (Prahalad, 2005). Only a systemic approach will be successful in those markets.

Conclusion

The explosion of the CSR literature raises awareness of the myriad of ethical and social issues facing today's companies, particularly as they expand in global markets. But the term has been used so broadly as to dilute its impact. Some of the CSR literature does not parse out carefully the range and limits of corporate responsibilities and moral obligations. Other writers treat CSR primarily as a discretionary responsibility, thus perhaps diluting its moral imperative. (But see Dunfee, 2006 for the argument that companies with particular core competencies have special obligations in times of crisis. Is this a form of CSR?) While multinational corporations today are perhaps one of the most powerful set of economic engines in the global political economies, they are, allegedly at least, *economic* engines with limited goals and means. The interlocking obligations and responsibilities of companies, citizens, non-government organizations, civic societies, traditions, culture, and even religion should not be overlooked when we focus on CSR. But we should be careful what we wish for. A systems approach, I have argued, that focuses primarily on corporate *moral* obligations takes into account what each party brings to the table, both in

terms of claims and capabilities, and holds each to some measure of accountability. Extending too broadly corporate responsibilities for everything they might even peripherally be involved in, also extends their power base and influence far beyond the reasons they were chartered in the first place. One should recall the East India Company that was allowed almost unlimited privileges. The deleterious effects it created for the Asian subcontinent we now call India, Pakistan and Bangladesh are still evident. That is a mistake worth not repeating.

Notes

1. Carroll has considerably expanded his thinking since this quoted definition. See Carroll (1993).
2. These pensions are now rolled into the United States government's Pension Benefit Guarantee Corporation (PBGC). But according to their web site, the maximum pension benefits PBGC pays out for plans ending in 2005 is $45,613.68/year per claimant for those retiring at 65. The amount is lower for early retirees and more for those who retire after 65. How does that affect employees? Ken Bradley, a retired United Airlines pilot who has a six figure pension, had to retire at 60, the maximum flying age for pilots. Now Bradley will receive only $29,649 from the PBGC (Rose, 2005).
3. That this can be problematic is obvious. Sometimes managers act on behalf of their company in ways that they would not condone in their own personal behavior. Scott Sullivan, the former CFO of WorldCom, claims his accounting malpractices were done to save the company and preserve shareholder value.
4. "In everything we do, we're driven by a common mission: To improve the quality of life for everyday people around the world" (www.Wal-Martstores.com, 2006).
5. Merck recognizes this in their mission as stated by George Merck, son of the company's founder. "We try never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear. The better we have remembered it, the larger they have been." (Bollier, Weiss, and Hanson, 1991, 3) Similarly, Abbott Laboratories' stated mission is "to develop breakthrough health care products that advance patient care for diseases with the greatest unmet medical need" (Abbott, 2003).
6. For instance, according to one report, as much as 2/3 of the AZT now virtually given away in many African countries by GlaxoSmithKline, finds its way back to Europe through black markets (Friedman, den Besten, and Attaran, 2003, 241).
7. The sections on systems and systems thinking are a revision from Werhane 2002, 2007 and 2008.
8. This approach does not always guarantee moral success, however. A recent report cites Chad's government as withdrawing from its agreement with the World Bank to channel its oil revenues into poverty alleviation (Polgreen, 2005, A15).
9. A similar model has been adapted by Merck and the Gates Foundation and used in attacking HIV in Botswana. Merck has partnered with the Botswanan government and the Gates Foundation in its HIV project in Botswana. It could not merely give its HIV drug, Crixivan, away, even if it had the financial resources and the will to do so. Although Botswana has better medical facilities and government than most of the rest of sub-Saharan Africa, its complex culture is such that education, medical infrastructures, and monitoring are not adequate, nor are tribal traditions aligned with modern medical treatment. Without a systems approach, Merck's and the Gates Foundation's attempts to work at the HIV crisis in this country and other less developed countries will fail, whether or not IP is preserved (Weber et al., 2001). In Tanzania, Abbott Laboratories Fund has partnered with the Tanzanian government and the Axios Foundation (A US NGO) in a multiyear, multimillion dollar project to upgrade and improve the medical care infrastructure, train health care professionals, and to expand access to treatment for HIV infected citizens (Abbott, 2003).

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